

**A GENERAL ASSESSMENT  
OF THE  
COMPREHENSIVE AGRARIAN  
REFORM PROGRAM**

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# **A GENERAL ASSESSMENT OF THE COMPREHENSIVE AGRARIAN REFORM PROGRAM\***

*Lourdes Saulo-Adriano* \*\*

## **I. INTRODUCTION**

One of the policy measures which has elicited a great deal of attention especially among less developed economies with high man-land ratios is agrarian reform. The policy has been thoroughly examined, both in terms of conceptual and empirical approaches, as well as employing cross-country or time-series information. However, despite the proliferation of these studies and the wealth of information generated from these works, very few countries have successfully implemented this policy measure; and fewer still are the countries that can actually claim that agrarian reform benefitted their rural and national development goals.

The long experience of the Philippines on agrarian reform only illustrates the immense implementing problems that this policy measure encountered. Research works on the implementation of past and present laws abound, yielding two fundamental conclusions. First, unequal landownership has, over time, exacerbated poverty and has encouraged inefficient utilization of the scarce resource. And, second, the character and pace of the agrarian reform implementation were responsive to the existing political and economic configurations. It is obvious that a policy which ensures a more efficient and equitable use of rural land is critical. But to operationalize this, one must invariably conduct research on the following areas: (a) different modalities of land reform and/or a combination of other efficiency- and equity-directed policies which can reduce or minimize the political and economic constraints that impede the efficient and more equitable use of rural land; (b) a detailed examination of the political and administrative feasibilities of present and alternative policy measures; and (c) an understanding of the implications of the implementation of the different agrarian reform components on rural development.

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This paper is an attempt to present a state of the art of past agrarian reform programs in the Philippines with emphasis on the current program. The discussion is divided into four parts. Section 2 traces the origins of the country's agrarian reform efforts using a political economy framework. The main arguments of this section are that (a) the crux of the country's agrarian question is rooted in the skewed land distribution pattern and (b) that this particular agrarian structure is a legacy of our colonial experience and a by product of the accumulated adverse effects of the palliative land reform measures implemented by past governments as responses primarily to peasant unrest.

Section 3 of the paper examines Republic Act No. 6657 or the Comprehensive Agrarian Reform Law (CARL) by first discussing the salient features of the law and then specifying its key loopholes as well as the primary beneficiaries and losers from its implementation. The emphasis of the discussion is on the land reform aspect<sup>1</sup>. This section ends with a discussion of (a) pending bills related to agrarian reform at Congress and (b) the alternative agrarian reform program initiated by the Congress for People's Agrarian Reform (CPAR).

Section 4 of the paper provides an assessment of the implementation of agrarian reform while the next section provides a cross country comparison of agrarian reform experiences highlighting two sets of country cases namely countries where agrarian reform were successfully implemented (i.e. Japan, Taiwan and South Korea) and countries where agrarian reform was not successfully enforced (i.e. China, Chile and Peru). The purpose of the analysis is partly to draw the similarities and contrasting features of these country experiences with the Philippine experience, and partly to emphasize the major lessons from these cross country experiences which the present CARL should take into account. This discussion hopes to shed light to two questions: first, is land reform a viable development policy? And second, what conditions will ensure a feasible implementation of land reform?

The final section identifies the major research areas on agrarian reform which emerged from the previous discussion.

## II AGRARIAN REFORM ISSUE: A LEGACY OF THE PAST

The skewed land distribution pattern in the country is not a product of recent history but a legacy of our long colonial experience. From the introduction of the *encomienda* system by the Spaniards through the establishment of the *hacienda* and their eventual growth and development during the American colonial regime, the agrarian structure in the country remained as unequal as ever. Consequently, peasant revolts and with them the usual government response of pursuing palliative reform measures to assuage peasant unrest have become an integral feature of Philippine history.

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1. The literature on this measure interchangeably use land reform and agrarian reform, however, the two policies are quite different. Land reform refers to measures which affect the property rights structure of an economy through a redistribution of landholdings whereas agrarian reform includes land reform measures as well as the provision of ancillary services such as credit, extension and marketing services.

In this paper, the focal point of discussion is the land reform measure.

The first recorded uprising with an explicitly agrarian character<sup>2</sup> occurred in 1745 when five provinces adjacent to Manila revolted against the friar estates. The rebellion was staged in protest over the monastic estates' unwarranted usurpation of the natives' lands and the imposition of the colonial government's policy of forced labor in order to assure a steady supply of labor in these estates (Roth 1982: 140). However, the uprising failed in the sense that concentration of lands in the hands of monastic orders continued unabated until the outbreak of the 1896 revolution. It was noted that by the end of the Spanish period, more than 185 000 hectares (ha) or one fifth of the cultivated lands 110 000 ha of which were in the vicinity of Manila, were owned by religious orders (Hayami, Quisumbing and Adriano 1990: 45). For this reason, the friar estates invariably became the focal point of the peasant struggles from the 1745 uprising to the 1936 Sakdalista revolt, and up to the protest actions of peasant organizations sympathetic to the *Huk* movement in the 1950s. Likewise, it is also for this reason that when the Americans finally subdued the Filipinos, the settlement of the unrest in the friar estates became one of their priorities.

Immediately upon his appointment as the Civil Governor of the new colony, William H. Taft went to Rome to negotiate with the Pope for the purchase of friar lands in the Philippines. The move was motivated by the belief that the highly unjust agrarian structure obtaining in the friar estates had been a major source of peasant unrest. After repeated attempts, Taft finally succeeded when the Pope agreed to sell 166 000 ha of the friars' landholdings for the amount of \$7 million (Agoncillo and Guerrero 1982: 431-2; cf. Constantino 1975: 297). Ostensibly, the land was bought for distribution to about 60 000 tenants but because of their ignorance of the law (i.e. how to acquire and title the lands) and the colonial government's policy of selling the lands at a price by which it could recover the purchase price plus the interest on the bonds it had floated to raise the cash, the bulk of these estates went to American firms and businessmen and landlords (Constantino 1975: 297-98). Another scheme introduced by the American colonial regime to alleviate the agrarian problem was the homesteading program. This involved encouraging Filipinos to migrate and settle to unpopulated and uncultivated areas in order to encourage the development of these places. Unfortunately, since Filipinos preferred to stay in *sitios* and *poblaciones*, leaving their farms behind, the program failed to attract sufficient participants (Constantino 1975: 300; Pelzer 1948: 104-14).

Because of the failures of the above measures, peasant dissatisfaction remained unabated. Thus, in 1933, under the administration of Theodore Roosevelt, a law was passed by the Philippine Legislature to ameliorate the condition of rice tenants. Called the Rice Tenancy Act (Public Act No. 4054) of 1933, it attempted to regulate

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2. There were of course numerous revolts staged by the Filipinos before this year but historians (e.g. Constantino 1975; Roth 1982) agree that they were primarily caused by other factors. On the basis of the dominant cause of the rebellion, historians categorize them into three: 1) those which were reactions to Spanish conquest of the islands and these struggles usually occurred before the mid 17th century; 2) those which took nativistic coloration, i.e. return to their old ways and native religion, essentially led by so-called messianic leaders; examples of these were the nativistic revolts of Tamlot, Bankaw, Tupas and Dagohoy; and 3) those armed struggles which were precipitated by the unjust agrarian structure (Hayami, Quisumbing and Adriano 1990: 45).

landlord-tenant relationship by stipulating, among others, a 50-50 sharing arrangement, a 10 percent interest ceiling on loans by the tenants, and non-dismissal of tenants on tenuous grounds. Again, this proved to be another ineffective measure because of the qualifying provision that it would only apply to areas where majority of the municipal council members petitioned for the implementation of the law in their place (Riedenger 1991: 204-5; Hayami, Quisumbing and Adriano 1990: 54). Commonwealth President Manuel L. Quezon continued the effort of the colonial government, but just like his predecessors, he emphasized ameliorative measures rather than redistributive ones. Under his "social justice" program, he regulated tenancy relations, revived the land resettlement program, founded the National Rice and Corn Corporation (NARIC) to regulate the buying and selling prices of palay and rice, established an agricultural credit fund under the "Rice and Corn Fund," etc. (Adriano and Redondo 1990: 9-11).

The outbreak of the war provided a temporary halt to the impending confrontation between landlords and tenants as the attention and resources of the nation were diverted to resisting the Japanese invaders. But as soon as the war terminated, agrarian unrest resurfaced, in fact, with a vengeance. This time, the previously uncoordinated peasant challenges found their organized expression through the *Huk* movement. So acute was the challenge posed by the *Huk* that the US prodded the Philippine government to undertake a comprehensive study of the agrarian situation. Commissioned to conduct this was a land reform specialist named Robert S. Hardie. Three recommendations highlighted the Hardie Report (1952). These were: (a) the abolition of share tenancy; (b) the establishment of owner-operated family-sized farms as the basis of the rural economy; and (c) the establishment of fair tenancy practices for those who unavoidably continue to work on the land as tenants (Monk 1990: 31).<sup>3</sup>

Unfortunately, the administration of President Elpidio Quirino did not heed the recommendations of the Hardie Report preferring instead the continuation of the policy of land resettlement. In 1950, for instance, President Quirino created the Land Settlement and Development Corporation (LASEDECO), a body which took over the land resettlement task of the defunct National Land Settlement Administration (NSLA) under the American colonial government and its successor under the Commonwealth government, the Rural Progress Administration (RPA). In turn, LASEDECO was primarily employed by then Secretary of Defense Ramon Magsaysay for his resettlement program for *Huk* surrenderees as an attempt to convince others to lay down their arms.

Having been rejected as a "radically-oriented, communist-inspired" work, the Hardie Report could not find fulfillment in the context of a landlord-dominated government.<sup>4</sup> Even Ramon Magsaysay, who won the presidency in 1953, despite his recognition of the agrarian character of the *Huk* rebellion, was unsuccessful in undertaking a meaningful

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3. The work of Monk (1990) is an excellent attempt to provide the readers detailed background information on the evolution of the Hardie Report and its aftermath..

4. Monk (1990: chap. 3) has an interesting discussion of how the landlords in the government persecuted Hardie to a point where even the US government had to apologize for (and distance itself from) the work.

redistributive measure. Although he passed a number of legislations to mitigate the worsening agrarian situation, they were all short of the land redistribution goal. Two of these legislations are worth mentioning, namely: the Agricultural Tenancy Act (RA No. 1199) of 1954, and the Land Reform Act (RA No. 1400) of 1955.

The former was meant to guarantee fair tenancy practices and facilitated the transformation of tenants into leaseholders. Unfortunately, Congress derailed the enforcement of the provision of the Act by providing only a measly sum to the program, exempting sugar tenants from becoming leaseholders, and impeded the work of the Court of Agrarian Relations which was purportedly established to adjudicate agrarian disputes (Riedenger 1991: 206-7).

On the other hand, the Land Reform Code of 1955 provided for the expropriation and distribution of large estates to their tenants. But like the 1954 Agricultural Tenancy Act, its provisions were watered-down by a landlord-dominated Congress to the point of ineffectivity. Whereas the original bill would subject to land reform private agricultural lands in excess of 144 ha, Congress raised the retention ceiling to 300 contiguous ha for privately-owned rice farms, 600 ha for lands owned by a corporation, and 1,024 ha for private lands devoted to crops other than rice (Riedenger 1991: 208). Moreover, the legislature inserted an additional provision stipulating that lands could only be subjected to the redistributive program only if the majority of the tenants petitioned the government for the implementation of land reform in the estate they till.

By raising the ceiling to 300 ha and adding the qualification "contiguous," Congress virtually assured the failure of the program. Landlords could easily subdivide their land and distribute them to their children or relatives, or sell parcels of their estate in order to break it up, thereby making it eligible for exemption because of its non-contiguous character. In addition, in view of the iron-grip hold on the estate, it would be difficult for the tenants to organize themselves to petition government to place the land they till under the reform program. Given these loopholes of the Code, it was, therefore, not surprising that less than 20,000 ha, or less than four-tenths of one percent of total cultivated lands in the country, were acquired by the government for distribution to the tillers (Hayami, Quisumbing and Adriano 1990: 56).

It should be noted that by this time the *Huk* insurgency problem had already been successfully liquidated by the government, and thus, the urgency for restructuring the unjust agrarian structure had vanished. Coupled with the advent of the Cold War era and the extension of the McCarthyist witch hunt to the Philippine shore, it became more difficult to organize for reform for fear of being branded as a "communist" by the landlords and their allies in the government. Consequently, the mass constituency pushing for agrarian reform implementation was effectively muzzled, and, as a result, the redistributive measure was relegated to the background to the point of oblivion in the public consciousness. Under the administration of President Carlos Garcia, who succeeded President Magsaysay, no land reform law nor amendments to correct the flaws of the 1955 Land Reform Code, was passed. Instead, the new administration concentrated its efforts in industrializing the economy through the adoption of the



"Filipino First" policy,<sup>5</sup> where a plethora of subsidies, incentives and protection was extended to import-substituting, mostly Filipino-owned, industries. Ironically, while the industrialization policy was being pursued under the aegis of nationalist fervor, the same nationalism failed to champion the cause of agrarian reform, a measure which the vast majority of the poor tillers in the countryside supported. This was not a paradoxical result because leading nationalist figures at that time were also among the biggest landowners then. For instance, the great nationalist Claro M. Recto, a big landlord himself in his home province of Batangas, was one of the staunch detractors of Magsaysay's land reform program. But unlike the conservative landlords who referred to supporters of the agrarian reform as "communists," Recto condemned the program as a "United States-inspired initiative designed to perpetuate an agriculturally-based Philippine economy, and, in turn, a dependency relationship with the US" (Hayami, Quisumbing, and Adriano 1990: 209). Similarly, leading Pampanga congressman Diosdado Macapagal (who would later become the President of the country), who was referred to as the "poor boy from Lubao" as a tribute to his humble beginnings, was one of the most outspoken critics of the Hardie Report.

Given the peculiar development of the entrepreneurial class in the country, it is futile to expect that, as in the case of Western Europe and other developed countries of today, where the industrialist class found an objective interest in supporting the reform measure, the bifurcation of interests between a land-based elite and a fledgling industrialist class cannot be expected in the Philippine case. Because the division has not emerged here since the landlords and industrialists are one and the same in our society. The implication of this on the alliance-building task to push for the reform program is that it will be more difficult for land reform to succeed here given the complementary nature of the interests of the elite groups whose properties are the target for the redistributive program.<sup>6</sup>

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5. An excellent discussion of this nationalist policy is contained in the work of Golay (1961).

6. Other authors (see for instance Wurfel 1983; Riedenger 1990; and Balisacan 1990a and 1990b) offer different explanations/interpretations as to why the agrarian reform program did not succeed in this country. However, I find the thesis forwarded by Balisacan highly controversial. He argued that "the nature of past land reform program is politically optimal, given the prevailing political market" then (1990b: 2). This conclusion was derived from the analysis that unlike other East Asian countries (e.g., Japan, Taiwan and South Korea) which successfully undertook a comprehensive agrarian reform program, the successive attempts failed here because they did not possess favorable political factors (i.e., a weakened landlord class, the support of a nearly authoritarian regime run by Allied forces, a better trained and educated bureaucracy, and a relatively organized peasantry) enjoyed by the former. Because of powerful forces ranged against the redistributive measure here, which were not eliminated nor tempered by endogenous or exogenous factors, Balisacan distilled that the achievements of past land reform programs, no matter how limited they were from standpoints of the peasants and agrarian reform scholars, could already be considered as "politically optimal." Unfortunately, such a theoretical positioning actually begs rather than answers the question as to why agrarian reform was unsuccessful in the country. Assuming, for example, that we were able to obtain the favorable political factors he cited, would these assure success? To what degree should we attain them to become successful? And if we achieved them and still failed, would it be considered "politically optimal" by Balisacan? How does one determine what is "politically optimal" in a given situation? Can one determine in an *a priori* or on an *ex post* factor basis? (If it is on the basis of the latter, then it is a useless thesis because it does not have a predictive capability).

The tremendous clout of the landowning class was again confirmed in the attempt by President Macapagal to implement an agrarian reform program under his term. Being more conversant with the problems of the poor tillers (since he was born from a poor peasant couple, as we mentioned earlier), he enacted the Land Reform Code of 1963 (RA No. 3844), a law considered by scholars (i.e., Hayami, Quisumbing and Adriano 1990: 56) as representing a major advance from its predecessors. Primarily, it was the first reform Act that made the attainment of "owner-cultivatorship and family-based farms" (Section 2 of the Act) in rice and corn lands as the stated goal of the measure. This objective was to be attained through the "Operation Leasehold" and "Operation Land Transfer" programs.

The former involved the conversion of share tenancy into leasehold tenancy by fixing rent at 25 percent of the average harvest in the three normal years preceding the program while the latter entailed expropriation and distribution of lands in excess of 75 ha (Hayami, Quisumbing, and Adriano 1990: 57). Furthermore, the Code also recognized the need for adequate agricultural support services for the reform program to succeed by providing for the creation of the Agricultural Credit Administration (ACA) and the Agricultural Productivity Commission (APC). The first was meant to extend cheap credit to small farmers while the second was intended to provide technical assistance to the tillers. But due to a number of reasons, ranging from inadequate funding to mismanagement and outright graft and corruption, these institutions failed to accomplish their mandate (Adriano and Redondo 1990: 35-6).

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Also, it is problematic whether the favorable political factors he mentioned were absent in the country. We have a severely weakened landlord class after the war because of the major devastation (social, political and economic) wrought by the Japanese on the countryside; a highly mobilized and politicized peasantry, at least in Central and Southern Tagalog regions, existed; a relatively good idea of what estates should be covered by the reform measure in the rice and corn haciendas of Central and Southern Tagalog regions (which were anyway the targets of the reform measure then); a supportive though not necessarily determined American liberation force; and an explosive agrarian situation which threatened the very survival of the system. Yet, despite these favorable factors, agrarian reform still failed.

The answer to this enigma lies in understanding the historical evolution of the struggle for agrarian reform itself and the relationship of the forces, both internal and external, that were ranged in favor of and against it. One must understand, for instance, why the Americans pursued with determination land reform in Japan, South Korea and Taiwan, while it dilly-dallied in the case of the Philippines. Obviously, one cannot find the answer by looking at the marginal preferences of or costs to the actors of choosing one decision over another. To solve the mystery, one must look for their objective interest in a given situation.

Undoubtedly, the Americans had an objective interest in pursuing land reform in Japan because the structural basis of the jingoistic disadvantage of the Japanese Imperial Army was the emperor system, upon which the whole foundation of landlordism/feudalism was built. This was true of South Korea where the advances in redistributive program of the communist in the North became an excellent selling point for its cause. In other words, the bankruptcy of landlordism in China and Taiwan had resulted in massive support for the communist struggle and eventually, its victory. As such, the US had to do something drastic about the unjust agrarian structure and this was achieved by the implementation of a comprehensive land reform program.

In sharp contrast, the landlord class (particularly the sugar bloc) in the country was the most ardent and staunch supporter of the American presence here. Thus, it was congenial to the interest of the US to preserve it and this explains its vacillating support to the program. During the height of the *Huk* rebellion, the US-sponsored Hardie Report came up with a list of radical recommendations meant to restructure landownership in the countryside. However, once things settled down (i.e., with the demise of the *Huk* threat), support for the Hardie Report ostensibly waned (Monk 1990).

Despite its positive contributions, Macapagal's land reform measure, just like the previous ones, contained loopholes which conveniently afforded the landlords to evade the reform law. First, the provision on the imposition of progressive land tax contained in the original bill was expunged from the final version. Second, lands devoted to other crops aside from rice and corn were excluded from the reform program. Third, the law did not stipulate penalties against landlords who obstructed implementation of or evaded the enactment by planting other crops in their lands. And fourth, implementation of the reform measure in a particular place could only be undertaken once the government, through its National Land Reform Council, declared that government agencies in the region were fully operative and ready to handle the task (Adriano and Redondo 1990; see also Monk 1990: 84). As expected, Macapagal's land reform version floundered as it achieved less than what Magsaysay's reform program attained.<sup>7</sup>

No policy initiative on agrarian reform was undertaken by President Ferdinand Marcos during his first term in office. What was passed under his second term during the period of liberal democracy was an initiative emanating from Congress. And even in this limited effort, the law was enacted as a response to the pressure of highly politicized students, peasants and workers who combined forces in lobbying for reforms to be undertaken in the economy, particularly the agricultural sector. The response came in the form of the Code of Agrarian Reform (RA No. 6389) of 1971 which declared the entire archipelago as a land reform area and concomitantly outlawed share tenancy by ruling automatic conversion of all share tenants into leaseholders. Moreover, it dramatically reduced the land retention ceiling from Macapagal's 75 ha to seven ha. However, the law did not see the day of implementation as it was overtaken by the declaration of martial law in 1972.<sup>8</sup>

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This inability to satisfactorily explain social phenomena in the political economy is actually symptomatic of the inherent flaws of the neoclassical approach to political economy adopted by Balisacan in tackling the agrarian reform problem. Balisacan could have not possibly avoided his theoretical mistakes because of the very limitations of his framework. Because of its ahistorical nature, the neoclassical approach cannot possibly capture the complexity of social forces entangled in a struggle for reform. By abstracting too much from reality, it often leads to an over-simplified and reductionist presentation of the process of social change.

Another good example of the limitation of the neoclassical approach to political economy is the work of Campos (1990). Resorting to the usual marginal preference and mathematical equation approach, he thought he could solely explain the process of development in Taiwan. The result was nothing short of a colonialism. It indirectly led to the ridiculous conclusion that colonialism (both coming from the mainland and the US) was a good process (i.e., it forced Taiwan to undertake agrarian reform and to switch to a outward-looking industrialization strategy). The mistake of Campos here, just like Balisacan, was to forget to analyze the objective interest of the colonizers and the constellation of political and economic forces ranged against each other in the struggle for reform.

7. Balisacan (1990a: 5) calculated that Macapagal's Land Reform Code only distributed 3,342 ha compared to Magsaysay's (inclusive of President Garcia's since he did not pass any reform law) of 16,000 ha. On the other hand, Hayami, Quisumbing and Adriano (1990: 59) gave a higher estimate: it was around 25,000 ha for Magsaysay and only about 14,000 ha for Macapagal.

8. Interestingly, Marcos used land reform as one of the justifications for the imposition of his authoritarian regime, declaring it as the "cornerstone" program of his administration. Ironically, the same aggrupations that forced Congress to enact the highly progressive 1971 Code of Agrarian Reform became the immediate targets for repression by the martial law regime. Consequently, the pressure from a highly-mobilized peasantry, one of the ingredients of a successful reform program, was eliminated by Marcos. Aside from doubts regarding the political determination of Marcos to pursue to its successful conclusion the redistributive measure, the liquidation of the pro-reform groups from the politico-economic landscape as one of the key factors that led to the limited coverage of Marcos' reform program and its eventual failure.

Five days after the imposition of martial law on September 21, 1972, Marcos released the first of a series of enactments in his own version of land reform. Presidential Decree (PD) No. 2, obviously getting its inspiration from old Congress which Marcos abolished, declared the entire country as a land reform area. However, this proclamation was qualified a month later when he issued PD 27 which confined the effectivity of the directive only to rice and corn lands. It further announced that rice and corn tenants were now "deemed owners" of the land they were cultivating and the mechanism to attain this was through the Operation Land Transfer and Operation Leasehold programs. As in Macapagal's version, the first entailed transfer of land ownership to the peasants via the amortization payment scheme while the latter involved conversion of share tenants into leaseholders (payment of a fixed rent).

The retention ceiling was pegged by PD 27 to seven ha. The beneficiaries were given Certificate of Land Transfer (CLT) to signify participation in the program, and after completion of their payment schedule which should be within 15 years, an Emancipation Patent (EP) would be given to the tillers.<sup>9</sup> But as in the case of its predecessors, Marcos' land reform was plagued by a number of flaws, among which were:

1. Only lands used for farm production by 1972 were covered by the program. Thus, those areas which were placed under cultivation from 1973 onwards were exempted from the law. Estimates put this area to be around 1.24 million ha.
2. The retention ceiling of seven ha was still high compared to that of other East Asian countries which successfully undertook land reform. For instance, Taiwan pegged the ceiling to three ha.
3. Landlords were allowed to retain seven ha while Japan and South Korea imposed zero retention for absentee landlords.
4. Only rice and corn lands were subjected to the redistributive measure despite the fact that land distribution in other crops (e.g., sugar and coconut) was highly unequal as those prevailing in the staple crops sector. This severely limited the scope/coverage of the program.
5. And the cumbersome process of obtaining land proved to be a major obstacle in the rapid implementation of P.D. 27.<sup>10</sup>

In view of these inadequacies, and despite the bold pronouncements of Marcos, his reform program had only modest achievements. Various authors give conflicting estimates from a low of about 32,000 ha by Balisacan (1990a: 5) to a high of nearly half a

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9. The price of the land was set at 2.5 times the value of an average annual production, at 6.0 percent interest rate payable to the Land Bank within a 15-year period. In turn, Land Bank was supposed to pay the landlords 90 percent of the cost of the land in the form of Land Bank bonds while the rest would be paid in cash by the tiller (Hayami, Quisumbing, and Adriano 1990: 60).

10. For a discussion of the limitations and problems of PD 27, refer to Mangahas (1991); Hayami, Quisumbing, and Adriano (1990: 60-70); Monk (1990: 83-108); and Riedenger (1990: 212-26).

million by Hayami, Quisumbing and Adriano (1990: 68). But even if we accept the latter figures, lands actually distributed to the tillers hardly made a dent on the problem of skewed land distribution because they merely comprised less than 5 percent of total area cultivated. In contrast, the land reform program of Japan, Taiwan and South Korea covered 41, 33 and 30 percent, respectively, of total farm lands (Riedenger 1991: 354).

On the positive side, however, PD 27 indeed achieved more than the past reform laws. In addition, it was able to break up large haciendas in Central Luzon thereby partially defusing peasant unrest in the area. And because of the benefits of modern rice technology and the depressing effect of inflation on the amortization payment, the beneficiaries were able to improve their economic plight.

But because of the limited number of beneficiaries compared to the number of tillers, tenants and landless alike, and the confinement of the program to rice and corn farms, the vast majority of the poor cultivators remained untouched by the measure, and this sometimes led to some unpleasant results.<sup>11</sup> PD 27 thus unequivocally demonstrated the drawbacks of a reform measure which, at the very beginning, was already handicapped and hounded by many critical implementation problems:

### III. AN ASSESSMENT OF THE COMPREHENSIVE AGRARIAN REFORM LAW (CARL)

#### *The Legal Foundations of CARL: Embodiments of Class Interest*<sup>12</sup>

The ascendancy of Corazon C. Aquino to the presidency in February 1986 created great expectations that a land reform that is comprehensive, in terms of farmland area and rural landless population to be covered, would be implemented. Unfortunately, Aquino did not seize the political opportunity to initiate such a reform and instead abdicated the task of defining land reform to Congress.

The efforts of the Aquino government in land reform prior to the formal Congressional convention were limited to the following initiatives: (a) the newly-ratified Constitution which, *inter alia*, provided the legal framework for the formulation of the land reform program; (b) the Accelerated Land Reform Program (ALRP), the policy version produced by top-level officials in the government; (c) Proclamation No. 31 which embodied her government's commitment to redistributive reform; and (d) Executive Order (EO) No. 229 which outlined the mechanics of implementing the reform.

Unlike its 1935 predecessor, the 1987 Philippine Constitution committed the government to undertake redistributive reform affecting all agricultural lands and natural resources and favoring both tenant-farmers and regular farmworkers (Article II, Section 21 and Article XIII, Section 24). The other salient features of the agrarian reform policy

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11. One of these was the emergence of the phenomenon of subtenancy wherein previous tenants turned owner-cultivators now hire the services of landless tillers to work the land while the former engage in other profitable farm or non-farm activities (Hayami, Quisumbing and Adriano (1990).

12. This section draws heavily from the recent work of the author with Quisumbing (1988).

specified in this Charter are: (a) the retention limit will be prescribed by Congress; (b) landlords will be justly compensated; (c) alternative measures to land distribution, such as voluntary land sharing, will be considered; (d) the government will encourage landowners to invest the proceeds in rural-based industries; (e) private corporations can lease as much as 1,000 ha of public agricultural lands while local citizens can lease no more than 500 ha; and (f) the state will provide support services to farmer-beneficiaries and affected landowners (Article XIII, Sections 3-8).

The Constitutional framework for the agrarian reform law has several loopholes. One major weakness is the broad criteria (i.e., "ecological, developmental, and equity considerations"), which Congress can use in determining the land ceiling and the priority areas. The broad criteria have enabled the landlord bloc in Congress to limit the scope of land redistribution, as well as increase the options available to landowners for evading the reform.

Another loophole in the Constitution's agrarian reform provisions was that it made voluntary land sharing a substitute for land redistribution. Although a variety of voluntary land sharing schemes are possible, they provide mechanisms for landlords to grant land use rights to tenants or landless workers on a temporary basis without fundamentally changing the distribution of land ownership or the form of productive organization. Because the schemes are of temporary nature, agricultural workers have, therefore, no permanent access to land.<sup>13</sup>

Lastly, the very large hectareage limits for public lands which corporations and individuals can avail of through lease contracts with the government would ensure the continued operation of plantations. The past experience of the country is replete with instances when domestic and foreign agribusiness enterprises were able to augment their landholdings by using a similar provision in the 1935 Constitution. For example, it was through the intercession of government agencies, notably the National Development Corporation and the Bureau of Lands, that multinational corporations like Castle and Cooke, Del Monte, and Guthrie, were able to lease lands in excess of the 1,024 hectareage ceiling as fixed by the 1935 Constitution (Adriano 1988).

After the Constitution was overwhelmingly ratified in February 1987, the President organized a Cabinet Action Committee on Agrarian Reform to come up with a draft program for the government. After several months of deliberation, the Cabinet Action Committee proposed the Accelerated Land Reform Program (ALRP).

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13. Voluntary land sharing schemes have been initiated in Negros Occidental, the leading sugar-producing province of the country where *haciendas* (or large plantations) dominate.

Under this scheme, sugar plantation owners could devote 60 percent of their land to the cultivation of their original crops, 30 percent to other crops in line with the government's crop diversification program, and 10 percent to subsistence crops which would be cultivated by workers for their own consumption. This scheme contradicts the purpose of equalizing landownership distribution since it enables landowners to keep their landholdings intact. Neither does it induce a transition toward smaller-sized farms, which are more consistent with the country's resource endowments, and whose size increases flexibility in crop diversification.

The highlights of ALRP are as follows: (a) a seven-hectare ceiling for all croplands; (b) the sequencing of land distribution, starting with large privately-owned farms as well as rice and corn lands covered by PD 27, and ending with small farms and alienable and disposable public lands; (c) exempted areas such as ancestral tribal lands and lands used for public service; (d) tenancy regulation; and (e) voluntary landsharing and corporate stock sharing as alternative schemes to land reform.<sup>14</sup>

The ALRP is in marked contrast from the previous administrations' land reform measures, because of its comprehensive coverage of target areas and beneficiaries. ALRP's proposal of a single retention limit for all croplands is also a more efficient and effective strategy vis-a-vis a variable land ceiling. Variable retention limits would encourage distortionary shifts in crop production, increase the scope of evasion by landowners, and encourage rent-seeking activities by government personnel. However, recommendations to exempt several land use categories from redistribution, as well as to consider corporate stock sharing and voluntary land sharing as substitutes to land redistribution, would enhance the capacity of uncooperative landlords to evade its provisions and increase the scope for bureaucratic delay. Finally, banning the use of share tenancy contracts would reduce the opportunities of landless agricultural workers to improve their position along the agricultural ladder.

The Aquino government did not adopt the ALRP but instead drafted another document, i.e., Executive Order (EO) No. 229. EO 229 was fundamentally different in spirit and content from the ALRP. Indeed, much of EO 229 focused on the administrative procedures and not on the substance of an agrarian reform measure. For instance, EO 299 detailed the mechanics of land registration, private land acquisition and the compensation procedures to land owners. It also painstakingly specified the composition and functions of the governing entities which will coordinate and supervise the implementation of the program. It did not, however, resolve key land reform issues such as the retention limit and the priority areas. Instead these were left for Congress to define.

How did Congress respond to this challenge? Both Houses produced their own agrarian bills: Senate Bill (SB) 249 and House Bill (HB) 400. The salient features of the two bills are compared in Table 1.

While both bills were committed to an agrarian reform that will affect all agricultural lands regardless of the crops grown, the tenurial arrangements practised and, whether these are public- or privately-owned, both contained numerous qualifications which limited the scope of the reform. Thus, not only did these bills recommend variable retention limits, depending on the crops cultivated and types of landowners, but also stipulated a list of exempted areas aside from those already mentioned in EO 229 as well as an array of alternative schemes for redistribution.

The contents of the two bills reflected the interests of the major groups represented in both Houses of Congress. The local landlord class is dominant in the Lower House where

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14. The latter scheme essentially enables corporate landowners to distribute corporate stock shares equivalent to the value of the land owned instead of distributing land itself to their workers.

Table 1  
Salient Features of Senate Bill No. 249  
and House Bill No. 400  
May 1988

*****		
Agrarian Reform Provisions	Senate Bill 249	House Bill 400
<hr/>		
<u>Land Ceiling (in ha)</u>		
Retention limit for landowners	5	7 + 3 for each heir
Award ceiling refore beneficiaries	3	3
Rice and corn lands under PD 27	7	7
Homesteaders	24	24
	a/	a/
Cooperatives	n.l.	n.l.
<u>Exempted Lands</u>		
u/		
EO 229 specified	x	x
Parks, forest reserves, mangroves, wildlife grounds, watersheds	x	
Lands with 18 percent slope, vegetable/cut-flower farms, aquaculture, non-tenanted orchards, poultry/piggery/ livestock projects, resi- dential/housing/commercial/ industrial/recreational sites, lands for the un- privileged	x	
Farms under corporate stock sharing or voluntary land sharing	x	x
c/		
<u>Timetable for Distribution</u>		
Private farms >50 ha	1	3
Private farms between 24 and 50 ha	2	3
Private farms < 24 ha	3	3
Plantations, fishponds, prawn ponds, livestock/poultry lands	3	d/
<hr/>		



Table 1 (Continuation)

=====		
	Senate Bill	House Bill
Agrarian Reform Provisions	249	400
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Corporate farms with lease, production or management		e/
contracts with local entities	3	
Corporate farms with lease contracts for public lands		e/
> 1,000 ha	1	
Corporate farms with lease contracts for public lands	f/	e/
< 1,000 ha		
MNC's with lease, product or management contracts	g/h/	1
Alienable and disposable public lands	2	1

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a/

N.I. means no limit.

b/

Includes military reservations, school sites, public and private research and experimental farms, penal colonies, quarantine centers, farms devoted to production of seeds and other planting materials, and lands used for religious purposes.

c/

Numbers indicate the order of priorities with number 1 being the first areas to be reformed, followed by number 2. and lastly, the areas with number 3.

d/

Some of these are exempted from land reform (see exempted lands) while the rest will be the last areas to be reformed.

e/

Contracts to be honored for 5 years, subject to renegotiations of terms, before these are reformed.

f/

Contracts will be honored for 5 years.

g/

MNCs are multinational corporations.

h/

Contracts will be honored until expiration date of these arrangements.

more than half of the membership are either "landowners or have landlord patrons for whose interests they act as surrogates" (Doronila 1988: 8). In contrast, the Senate is basically urban-based with economic interests in the industrial and commercial sectors. For most Senators, social and political stability in the countryside is critical for industrial and commercial development. For that reason, land reform is considered necessary. Moreover, from their viewpoint, export diversification and scale economies in production and marketing are the keys to rural development. For this consideration, foreign participation, especially from multinational corporations, and large local agribusiness enterprises should not be thwarted but encouraged.

The legal measures and the debates which immediately preceded the passage of the Comprehensive Agrarian Reform Law (CARL) reflected to a large degree (a) the competing interests among the propertied class itself; and (b) the nature and extent of compromises which these classes are willing to concede to the popular clamor for a comprehensive agrarian reform law. As Quisumbing and Adriano (1988) observed, the propertied class has diversified -- from the absentee landowners controlling decentralized estates and *hacienda*-type landowners both of whom were dominant during the first half of the 20th century, to a spectrum of landowner categories comprising of the traditional landowner types, entrepreneurial landowners cultivating medium- and small-sized farms, and indigenous- and foreign-controlled agribusiness landowners. While the perspectives of these landowners varied with respect to the form of the agrarian reform law, they were able to agree on a common ground rule which Ledesma (1980) aptly puts as, "no class legislates itself out of existence." The provisions which embodied this principle and which were consistently present in the legal measures prior to CARL were: (1) the long transitional time frame for the implementation of reform; and (2) non-land transfer schemes. Both provisions enabled the landowners sufficient time and leeway to devise evasive measures to land reform. But as shall be noted below, the CARL does reflect a preference for a particular sector in the propertied class and it is this sector which has determined the boundaries of its concessions to the intended reform beneficiaries.

#### *Salient Features of the Comprehensive Agrarian Reform Law*

**Coverage and Timetable for Distribution.** On 10 June 1988, President Aquino signed into law the Comprehensive Agrarian Reform Law, otherwise known as Republic Act (RA) No. 6657.

At first glance, the law appears to be a departure from the traditional pattern of Philippine land reform legislation as it shifts from tenure regulations and grain crops to an agrarian reform program covering all public and private agricultural lands regardless of tenurial arrangements and crops produced. The area coverage of the program is 10.3 million ha and is projected to benefit some 3.9 million rural-based producers and workers<sup>15</sup> (Table 2). Land acquisition and distribution shall be accomplished within a period of 10 years, commencing on 10 June 1988 and ending on 10 June 1998. It shall be

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15. The 3.9 million targetted beneficiaries specified in Table 2 only include mainly share tenants, agricultural lessees and farmworkers.

Table 2  
The Scope of RA 6657 by Land Type, Phase, Area  
Coverage, and Intended Beneficiaries

Land Type by Phase	Area		Number of Beneficiaries	
	ha ( '000)	%	No. ( '000)	%
<b>Phase I</b>	1,054.8	10.24	631.7	16.19
1. Rice and corn lands	727.8	7.07	522.7	13.40
2. Idle and abandoned lands	250.0	2.43	83.3	2.14
3. Foreclosed, surrendered a/ and PCGG -sequestered lands	2.5	0.02	0.8	0.02
4. Government-owned agri- cultural lands	74.5	0.72	24.8	0.63
<b>Phase II</b>	7,659.8	74.40	2,742.6	70.30
1. Public A & D lands and lands under agricultural leases	4,595.0	44.63	1,721.0	44.11
b/				
2. ISF areas	1,880.0	18.26	626.7	16.06
3. Resettlements	478.5	4.65	159.5	4.09
4. Private agricultural lands exceeding 50 ha	706.3	6.86	235.4	6.03
<b>Phase III</b>	1,581.0	15.36	527.0	13.51
1. Private agricultural lands between 5 and 24 ha	1,063.6	10.33	354.5	9.09
2. Private agricultural lands between 24 and 50 has	517.4	5.02	172.5	4.42
<b>TOTAL</b>	10,295.6	100.00	3,901.3	100.00

a/

Philippine Commission for Good Government.

b/

Integrated Social Forestry.

Source: PARC (1989), Volume 1.

implemented in three phases; a breakdown by land types for each phase and the targeted number of beneficiaries is shown in Table 2. Three-fourths of the program's area coverage is scheduled for Phase II; a large proportion of these lands are public A and D lands as well as upland areas covered by the Integrated Social Forestry (ISF) program of the Department of Environment and Natural Resources (DENR). The last lands to be reformed are medium-sized private-owned agricultural lands ranging from five to 50 ha, while the priority areas for reform are rice and corn lands (lands covered under PD 27), idle and abandoned lands, foreclosed, and sequestered lands, and government-owned agricultural lands.

**Retention Limit.** CARL endorses a variable retention limit. For non-rice and non-corn lands, the landowners can retain no more than five ha, with their heirs allowed to keep three ha each, provided that the heir is at least 15 years old and is actually tilling or managing the land. The retention limit for rice and corn lands is pegged at seven ha, the land ceiling stipulated in PD 27, while original homestead owners and their direct heirs are allowed to own and continue to cultivate their homestead lots which can be as large as 24 ha. Lastly, agrarian reform beneficiaries can own and cultivate as much as three ha.

**Beneficiaries.** Unlike in previous agrarian reform laws which limited the qualified beneficiaries to rice and corn tenants and lessees, RA 6657 includes all agricultural lessees and share tenants regardless of crops grown as well as regular, seasonal and other farmworkers, and farmers' organizations or cooperatives. In addition to this list, other potential beneficiaries are agricultural graduates, rural women, veterans and relatives of enlisted men and women, retirees of the Armed Forces of the Philippines and the Integrated National Police, and rebel returnees and surrenderees.

Clearly, only a small portion of these intended beneficiaries would be able to avail of the reformed areas. Naturally, those belonging to the middle- and high-income brackets and who have some political leverage in the villages, have more chances of acquiring the reformed lands than those who belong to the low-income rung and do not have or are not able to exert any political influence. For instance, agriculture graduates, rural-based and rich women, and retirees of the armed forces would most likely take advantage of and benefit from this policy measure to the detriment of the poor squatters on public lands, casual agricultural workers and poor peasants.

**Non-Land Transfer and Deferment Programs.** RA 6657 provides alternative schemes to agribusiness plantation owners which can effectively exempt them from land reform. These options are: (a) corporate stock sharing scheme, wherein farms may be exempted from reform so long as they convert their land values into stocks whose shares will be divested among its workforce; (b) land reform deferment scheme, wherein commercial farms devoted especially to livestock, poultry and swine raising, aquaculture, and the production of fruits, vegetables, cut flowers, cacao, coffee, and rubber, can continue their production activities under the existing modes of land usage during the 10-year time frame of the law so long that these enterprises practice production- and profit-sharing; and (c) land use conversion, wherein the landowner requests for

conversion of his land from an agricultural to a non-agricultural activity. Even foreign-operated agribusiness plantations have the option of operating either under the original terms of the contract during the 10-year time frame of the law or until the expiration of the said agreements even if the beneficiaries of the affected lands have already been identified and as long as these beneficiaries have not decided on the status of their lands.<sup>16</sup> Lastly, public lands that will be open for agricultural purposes can be leased for as long as 50 years so long as the lands are utilized for capital-intensive and export crop production and are within the 1,000-hectare limit specified in the Constitution.

**Compensation and Mode of Payment to Landowners.** Valuation of privately-owned agricultural lands will be computed on its current market value. The law stipulates 10 indices for determining the landowners' compensation. The most important of these factors are the production income, the sworn valuation by the owner, tax declaration, and the current value of the properties.<sup>17</sup>

The landowner may choose any of the following modes of compensation: (a) a combination of cash and government financial instruments; (b) shares of stocks in government-owned or controlled corporations, or Land Bank of the Philippines (LBP) preferred shares, or of physical assets or other qualified investments; and (c) tax credits which can be used against any tax liability. Aside from these, landowners are given assistance and incentives to put the proceeds from their land sales to investment ventures in the country.

**Payment by Beneficiaries.** The beneficiary pays the LBP in 30 annual amortizations at 6.0 percent interest rate per annum. The beneficiary is forbidden by law to sell the land until the tenth year or until such time that he has fully paid his dues. The LBP serves as the mortgagor; failure by the beneficiary to pay an aggregate of three annual amortizations will mean a foreclosure in which LBP can award this foreclosed land to qualified beneficiaries. A beneficiary whose land has been foreclosed is permanently disqualified from becoming a CARP beneficiary.

**Tenurial Arrangements.** RA 6657 prohibits the practice of share tenancy. Instead, it promotes owner-cultivatorship especially in agrarian reform areas and direct administration through wage system in corporate and commercial farms. In tenanted lands not yet subjected to agrarian reform, landowners should shift to leasehold arrangements of a 75 to 25 sharing, with the larger share accruing to the farmer-tenant.

**Political Machinery for Agrarian Reform Implementation.** Unlike previous agrarian reform laws, CARL has established a political machinery that will (a) strengthen

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16. This is the case of the pineapple plantations in Bukidnon and South Cotabato which are managed by Del Monte and Castle and Cooke, respectively. Since the Department of Agrarian Reform has not settled the lease arrangements between these companies and the cooperatives, both agribusiness companies are still in control of the plantations.

17. Examples of countries where small outgrowers schemes with multinational corporations have been implemented successfully are the pineapple contract arrangements in Thailand, the tea growers' contracts in Kenya, and the banana-growing scheme practised by Stanfilco in the Philippines.

the collaborative efforts among government agencies and synchronize their agrarian reform-related activities; (b) institutionalize grassroots participation in the implementation phase; and (c) hasten decision-making in agrarian reform-related issues.

Through RA 6657, various committees were established: (a) the Presidential Agrarian Reform Committee (PARC), chaired by the President herself with members comprising of the Secretaries of the Department of Agrarian Reform (DAR), Department of Agriculture (DA), Department of Environment and Natural Resources (DENR), and other government agencies providing support services as well as representatives from the landlord and farmers' sectors; (b) the Provincial Agrarian Reform Committee (PARCOM), made up of the governor, representative from CARP agencies, landlords and farmers; and (c) the Barangay Agrarian Reform Committee (BARC), presided by the barangay chairman with members from CARP agencies, landlords, and farmers.

### *Major Bottlenecks and Loopholes of CARL*

**Limited Coverage.** A closer inspection of RA 6657's coverage reveals that it is not as comprehensive as it claims to be. In terms of area coverage, it excludes a long list of land types which essentially constitute the "non-reform sector" (de Janvry 1981). In the context of this law, the non-reform sector can be divided into categories: the first comprises of areas used for non-profit activities whereas the second includes arable and privately-owned agricultural lands that are used for profit-oriented ventures. The first category consists of areas which are used for the provision of public goods (e.g., national defense) and services (e.g., education), those engaged in religious as well as research and developmental undertakings (e.g., experimental farms) and those reserved for ecological and environmental considerations (e.g., wildlife parks). Land types belonging to the second category include corporate/commercial farms which either practice corporate stock sharing or are collectively owned by its workers, non-tenanted rice and corn lands whose sizes are seven ha and below, other croplands whose areas are equal to or less than five ha, and homestead lands.

It is estimated that about 16.7 million ha belong to the first category of the non-reform sector, a breakdown of which is shown in Table 3. While it can be argued that these land uses are socially beneficial to the country in general to warrant their exemption from land reform, their unconditional exclusion ensures evasionary mechanisms for the landlord bloc and provides a venue for plantation agriculture. For example, several land lords in Mindanao converted their landholdings into "non-profit" ventures in order to avoid land distribution (Quisumbing and Adriano 1989). Likewise, TADECO, a large banana plantation in this island, is automatically exempted from reform since 4,000 ha of its lands are leased from a penal colony (Quisumbing and Adriuano 1989). Moreover, public and private research centers should operate within the size range stipulated by the retention limit to stimulate the development of technologies appropriate to small-scale farming.

A World Bank study (1979) estimates that (a) the exclusion of agricultural lands with 18 percent slope would reduce the total arable lands to a mere 12 percent, considering that the terrain of the country is generally rolling; and that (b) an inclusion of potentially arable lands with slopes greater than 18 percent would expand the potential arable land

Table 3  
Distribution of Public and Private Lands Exempted from RA 6657

Land Use	Non-reform area (000 ha)	Proportion of non- reform area to potentially available for	Source of Data
		a/ agrarian reform (%)	
<u>Public Lands</u>			
National defense	130.3	0.50	Bureau of Forest Development (BFD) (1987)
Penal farms	64.2	0.24	Bureau of Prisons (1988)
School sites	82.0	0.31	Department of Education, Culture and Sports (1988)
Experimental farm stations	2.8	0.01	Department of Agriculture (1988)
Seeds and seedling research and pilot centers	1.9	0.01	Department of Agriculture (1988)
Government quarantine centers	n.a.	0.00	
Parks, wildlife, fish sanctuaries, breeding grounds, watersheds, mangroves	2,839.2	10.79	Bureau of Forest Development (1988)
18 percent slope and over	13,631.9	51.82	Cruz (1986)
Sub-total area	16,752.2	63.68	
<u>Private Lands</u>			
Church sites	3.9	0.01	Institute on Church and Social Issues (1988)
Rice and corn farms (7 ha)	5,238.3	19.91	Census of Agriculture (1980)
Corporate farms (5 ha)	7.1	0.03	Census of Agriculture (1980)
Other farms (5 ha )	323.5	1.24	Census of Agriculture (1980)
Sub-total	5,574.8	21.20	
Cities, towns, etc.	22,327.0	84.87	
Total of reform area	3,985.5	15.13	
<u>Partial Total of Non-Reform</u>			
Area	7,673.0	25.58	

a/ Quisumbing and Adriano (1988)

by one-fourth. Although the percentages may be grossly overestimated, the fact remains that the potential land for redistribution would be substantially reduced when such a criterion is used. Many cases especially in Mindanao abound where such lands have been extensively used for cattle-grazing; their conversion into viable small farms operated by upland squatters, would now be highly improbable by virtue of RA 6657 which excludes 18 percent sloped areas.

As illustrated in Table 3, potential land available for reform is four million ha. This total reform area, however, may still be reduced to an insignificantly smaller figure considering that the direct households of farm-owners can allocate lands for themselves and that corporate farms can resort to corporate sharing as a mechanism for exempting their farm from this redistributive measure.

Furthermore, as mentioned earlier, evasion per se would not be extremely difficult even for an average landowner since RA 6657 is riddled with numerous qualifying conditions. By legislating a long and complicated transition phase for its implementation, the law has provided the landlord group enough time to develop evasatory strategies that will assure their property rights. Likewise, the complicated design of the timetable itself would serve as a major stumbling block for the inadequately financed and understaffed government in interpreting and effectively implementing land reform especially in corporate and commercial farms controlled by local and foreign agribusiness entities. A long transition phase would also induce rent-seeking activities especially in the local governments.

Not only would the area of agricultural lands that will be left for reform be significantly reduced as a result of the clauses on exemptions but the law would also have an effect on the quality of lands that will be placed ultimately under the reform sector. In particular, since this law allows the landowners to choose the lands that they shall keep, these landowners would naturally select lands with superior quality, are strategically located to the markets, and have direct or easy access to physical infrastructure such as irrigation facilities. Moreover, since the enforcement of this law shall be done in stages, this allows the landowners time to decapitalize the areas that shall be expropriated and capitalize their reserved lands, thereby increasing substantially the capital-labor ratios in the latter sites.

In brief, one can safely conclude that lands under the reform sector of CARL will be marginal, low-quality lands with limited access to effective demand as well as to production and marketing infrastructure. Without the adequate provision of appropriate support services for the qualified beneficiaries of these lands, one would expect a high probability of abandonment in the reform sector and a reconsolidation of these lands to their original or even new landowners.

**The Issue of Single Versus Variable Retention Limit and Award Ceiling.** Apart from the large land area for corporate and commercial farms which can be exempted from the law, RA 6657 purports that in agrarian reformed areas, the landownership structure could have variable land sizes, ranging between three and seven ha. However, as argued by Quisumbing and Adriano (1988), a single retention limit for all croplands is a more



effective and equitable strategy than one which stipulates various land ceilings. From the government standpoint, a single retention limit for all croplands would make the administration and implementation of the program substantially easier and less costly in terms of reducing both evasionary tactics and the scope for rent-seeking activities by government personnel. Moreover, the provision which allows the landowners to reserve three ha for their legal heirs defeats the redistributive intention of agrarian reform. This provision would enable the landowners to exempt a major portion if not all of their landholdings.

For equity considerations, the smaller the landownership ceiling, the better. First, the lower the landownership ceiling, the higher the number of beneficiaries that the program will be able to cover (Ledesma 1987). Second, not only will the program be able to cover more farmers but the provision of support services in the countryside will be more evenly distributed in terms of clientele and thus will not be concentrated in favor of large landowners and agro-enterprises. Lastly, a stipulation of a low land ceiling does not necessarily preclude the operation of large-scale farms as the establishment of cooperatives, contract-farming, and collective ownership of lands is not discouraged.

**Non-land Transfer and Priority Areas: Provisions Favoring Agribusiness Corporations.** RA 6657 has also stipulated qualifying conditions which would either exempt agribusiness plantations from land reform or would delay considerably the implementation of this measure on corporate and commercial farms. Among the provisions contributory to these purposes were: (a) non-land transfer through corporate stock sharing; (b) the land reform deferment scheme on new commercial farms; (c) the unclear mechanics for identifying the beneficiaries in commercial and corporate farms; (d) the establishment of profit-sharing schemes; (e) vague land use conversion guidelines; and (f) a step-wise and 10-year time frame for implementation.

The preferential treatment accorded to agribusiness plantations by these provisions should be contrasted with the provisions affecting private lands belonging to the 50-hectare and above category and which are not classified as corporate or commercial farms. These farms are within priority two in the step-wise implementation of land reform. Considering that the preferred modes of labor arrangements in RA 6657 are owner-cultivatorship and direct administration, one clearly sees that the objective of these combined provisions is to eradicate feudal modes and relations of productions epitomized by *haciendas* and tenanted estates and replace these instead with agribusiness plantations.

The underlying premise of these provisions is grounded on the belief that economies of scale in farm production, processing and marketing of export cash crops exist. This premise, however, is ill-conceived. In the two surveys conducted by Hayami, Quisumbing and Adriano (1987a, 1987b), they found out that production and marketing for most tree crops such as coconut, coffee, cacao, and rubber require neither large-scale machinery nor central management, both of which could be possible sources of scale economies. These studies further contend that while some scale economies in farm production arise as a result of the employment of capital equipment and some crop-specific infrastructure, there is no reason to believe that the provision for the use of

these factors of production is possible only within the organizational set-up of the plantation enterprise. Small growers can achieve an efficiency comparable to that of large plantations so long as they can have access to these resources made possible through the establishment of rental markets for the use of farm machineries and crop-specific infrastructure.

A genuine source of scale economies appears to lie in the need for close coordination between production and processing/marketing especially for perishable commodities, to meet the stringent quality specifications of the overseas market. Another important source of scale economies is the strict need for pest and disease control. In both instances, a centrally-managed plantation system seems to have a great advantage in ensuring the timely collection of a large quantity of highly perishable commodities for shipment to foreign markets. However, the disadvantage of small farms in these regards can be overcome through the development of appropriate organizational set-ups and marketing arrangements such as contract farming. Several country cases<sup>18</sup> have illustrated that contract-growing arrangements between small farmers and local or multinational processing/marketing companies can be a viable mode of operation. Under this system, farm production is relegated to a number of small independent growers whose landholdings form contiguous large-sized operational farms, while domestic and foreign agro-corporations concentrate on the processing and marketing aspects. The latter observation highlights the fact that large operational holdings do not necessarily require ownership of vast tracts of lands. Indeed, various mechanisms can be designed that can consolidate small farmholdings into contiguous large-sized operational farms. Contract farming is one mechanism while lease contracts with small landowners is yet another alternative.

**Co-existence of Two Modes of Productive Organizations.** RA 6657 thus seems to promote the coexistence of two extreme modes of agrarian structures, i.e., small farms producing food and other cash crops, on one hand, and large-sized agribusiness-operated farms cultivating essentially export crops, on the other. Small-sized farms, especially in the grains crop subsector, will be developed partly because their existence is especially important during the initial stages of growth in ensuring cheap labor and low-priced wage goods for both the plantations and industry,<sup>19</sup> and partly due to the fact that their presence serves as a political concession for resolving the problem of rural unrest. While staple crop production may be suited to small-sized farm units, the design of CARL presumes that export crop production, a major source of foreign exchange earnings of the country, is best produced in large-sized farms which enjoy economies of scale arising from the employment of capital-intensive methods of production. It is on the basis of this premise that large-sized agribusiness-run farms are preferred to the *haciendas* and tenanted farms. Since the former types of farms invest and employ large amounts of capital in their farms

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18. This is in sharp contrast with PD 27's land valuation which uses only a multiple of average annual productivity.

19. The plantation owners would benefit from the existence of small farms since the latter ensures for the large farms a reserve army of cheap labor, or what Harris (1982) called "disguised proletarians." Thus, the small farms provide the household owners a portion of their subsistence and production requirements while their wage earnings from the plantations fill the financial gap.

(*hacienda* owners use their profits largely for consumption and not for production expenditures),<sup>20</sup> then it would be economically advantageous for the countryside to minimize the redistributive effects of the reform on these agribusiness plantations.

RA 6657 thus purports a selective redistributive scheme wherein it will expropriate and redistribute large lands cultivating staple crops as well as feudalistic agrarian structures but will not touch capitalist farm enterprises. It was not designed to bring about inter-rural equalization by homogenizing the land ownership structure in this sector, but rather, was aimed at inducing the establishment of profit-motivated agribusiness plantations supported at the periphery by small-sized farms which supply the former enterprises with cheap labor.

Promoting a bi-modal agrarian structure has implications on equity and efficiency. First, the co-existence of large and small-sized farms would severely limit the impact of agrarian reforms in achieving equity. With skewed landownership distribution being a major source of inequality in the country (Quisumbing 1986), an agrarian reform that does not ensure a more homogenous landownership structure would only aggravate the problem of inequality.

Second, a bi-modal agrarian structure is an inefficient organizational arrangement for a country characterized by a highly inelastic land supply. Large-sized farms tend to exploit this scarce resource extensively and employ more capital - another scarce factor of production in the country - intensively. In contrast, small-sized farms cultivate land more intensively and employ more labor, an abundant resource in the country (Chayanov 1966).

Lastly, a bi-modal agrarian structure has implications on the nature and pace of the country's development. Like in the Marcos regime, this mode of productive organization presumes that agribusiness plantations can serve as the engines for rural growth. But, as the country has experienced, such a growth-bias is not based on the efficient allocation and use of the country's resources and is not accompanied by a more equitable income structure. The growth prospect employing this strategy is limited because it does not develop a broad domestic base for the plantation's produce and is not sustainable because resources are mismanaged (Adelman 1984).

**The Inefficiency and Inequality Arguments of Tenancy Regulation.** CARL presumes that the first-best contracts are the owner-operator type and the direct administration through wage system. However, recent theoretical and empirical studies on share tenancy have concluded that this form of land contract is as efficient as the leasehold contract and owner-operatorship (e.g., Cheung 1969; Newberry 1977; Reid, Otsuka and Hayami 1988). Moreover, due to imperfect or incomplete markets in agriculture especially in land, labor, non-tradable inputs (e.g., draft power), credit, insurance, and technology, enforcement and transaction costs become exorbitantly high

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20. For a more comprehensive comparison of *haciendas* and agribusiness plantations, refer to Quisumbing and Adriano (1988a).

providing an incentive to "internalize" particular institutional arrangements which effectively link these incomplete markets.<sup>21</sup> Sharecropping arrangements have been shown as appropriate mechanisms for reducing the enforcement and transactions costs due to the imperfections in the market (e.g., Braverman and Srinivasan 1981) and for sharing the risks stemming largely from the uncertainty of crop production (e.g., Kowal 1985).

A tenancy regulation may also aggravate the problem of inequality. Using the "agricultural ladder" concept (Spillman 1919), a regulation prohibiting share tenancy will prevent the majority of the landless workers from improving their income/occupational status.

Recent empirical works on land contracts (e.g., Hayami 1989; Otsuka 1989) illustrate the tenacity of share tenancy arrangements despite the legal prohibitions. Where transfer of landownership rights and the practice of share tenancy are prevented by the agrarian reform measure, new institutional arrangements emerge which operate like share tenancy contracts except that the agrarian reform beneficiary mortgages his land cultivation rights. Illicit sub-tenancy arrangements also evolve under the guise of direct administration system. In these arrangements, the traditional landlord role is replaced by rural traders, millers, middle class rural dwellers, and several agrarian reform beneficiaries who have opted for non-agricultural activities.

What these findings imply is that with the imperfections in the various rural markets, rural producers will contract institutional arrangements whose benefits to the parties more than outweigh the potential penalty costs from circumventing the legal structures.

**Gainers and Losers of CARL.** The previous sections have shown that the design of CARL was strongly influenced by a new breed of landowners, essentially composed of corporate and commercial farmowners. The law is full of compromises and concessions favoring this group, to the detriment of traditional landowners who generate their income largely through the extraction of rent. It should be emphasized, however, that CARL was also designed to accommodate renter-landowners so long as the latter transformed their tenant-based arrangements to either owner-cultivatorship or direct administration arrangements or change the mode of land use from agricultural to non-agricultural activities.

Another political force accorded preferential treatment in this law is the rural middle class. Doronila (1988) identifies this faction as the propertied group in the countryside whose landholdings are typically below 24 ha and whose occupations range from civil servants (e.g., teachers and military officers) to local politicians, traders and millers. In terms of number and degree of influence in village-level politics, the members of this class are far more numerous than the big landowners and have political leverage in rural towns and villages.

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21. Braverman and Srinivasan (1981) define interlinkages as "contracts between the same pair of individuals relating exchanges in more than community or service, the contracts being linked in the essential way ... (any) delinking of contracts would be infeasible or costly for one party ... (thus), linking may constitute a Pareto superior move as opposed to a delinked situation ..."

It was for these reasons that this class has benefitted from the agrarian reform law as their farms shall be covered last by the reform. The list of agrarian beneficiaries also applies to this group as most of them reside in the countryside and manage their farms either directly or indirectly. More importantly, the political influence and economic capability of this class will further enhance their chances of benefitting from this reform measure especially in the present political environment of inefficient government bureaucracy and a law riddled with loopholes.

Agriculture lessees and share tenants, the priority beneficiaries of this reform, would likewise benefit from the implementation of CARL. However, their chances of capturing the larger share of the reformed area will highly depend on their capability to organize and mobilize their sector into a strong countervailing force vis-à-vis the interests of the propertied bloc.

Finally, the main losers in this agrarian reform law are the landless rural workers who have neither farms to rent for their own cultivation nor permanent employment in plantations. It is most likely that their lot will worsen relative to other potential beneficiaries of this reform.

This only highlights the fact that land reform is not and cannot be the end-solution to rural poverty and inequality. For this reform measure to be effective in equalizing incomes and alleviating poverty, a comprehensive approach to countryside employment should be developed precisely to absorb this surplus labor (Balisacan 1990).

**Cumbersome Land Valuation.** Another provision that is vulnerable to the evasatory tactics of the landowners and enhances government employees' rent-seeking activities is the definition of just compensation to the landowners. As mentioned above, the Act specifies 10 factors for considering just landowners' compensation. The inclusion of these factors, some of which are difficult to quantify, would further delay the distribution of lands.

The government is not lacking in terms of recommendations which will simplify the formula and appease landowners' dissatisfaction over the low land values when the formula is applied. Worth noting is the alternative formula suggested by Justice Santiago, a representative of the landowner bloc. Expectedly, his formula will result to higher land values than those proposed by the government but a shade lower than resulting values from PD 27's formula. What is significant about this recommendation is that it approximates a leasehold arrangement, is much simpler and more transparent than the government's original and more recent (AO No. 3 amending the previous formula) formula, and more importantly, is a suggestion acceptable to the landowners' group. Unfortunately, the government did not adopt this recommendation, ultimately losing its opportunity to gain momentum in the implementation of this measure.

Another major bottleneck is the large disparity between the huge disbursement of funds as payment to landowners and the low land revenues that will be generated from the beneficiaries. This financial imbalance is aggravated by the fact that agriculture land markets are prohibited by RA 6657; this only means that land cannot serve as an

investment collateral especially for banking transactions. Both factors may have grave implications on the government's scheduled cap on public deficit which, in turn, can offset the macroeconomic environment.

**Conclusion.** Having reviewed RA 6657, it is apparent that the selective redistributive scheme of this law may aggravate the already inequitable landownership structure. With large tracts of land remaining under the control of a few but powerful propertied class, the remaining reformed areas will most likely be accessed by the rural middle class. The vast majority, comprising of the agricultural share tenants, lessees and the landless rural workers, will have less chances of obtaining quality agricultural lands unless they organize and establish a strong countervailing force or a more egalitarian land reform replaces the present measure.

Under RA 6657, agricultural output will be increased largely through the activities of agribusiness plantations. This is premised on the belief that economies of scale in farm production exist. However, as discussed earlier, there may be no scale economies in farm production. Indeed, continued reliance on plantation-type of farms may be inefficient for the economy because these modes of productive organizations are inefficient users of our scarce (i.e., land and capital) and abundant (labor) resources.

The plantation-bias of CARL presumes that the marketable surplus will be efficiently generated and sustained by these modes of productive organization. While a marketable surplus can in fact be extracted from this sector like in the past, it is doubtful whether the surplus extraction can be sustained without developing a broad domestic market base. Adelman (1984) and Ranis, Stewart and Reyes (1989) argue that unless a broad domestic market base is created in the countryside, agriculture's capacity to finance the initial stages of industrialization will be severely restrained. They contend further that a more egalitarian landownership structure will provide the impetus for an increase in income in the countryside which in turn can initiate the development of rural-based industries, the embryonic stage of industrialization.

Lastly, from the discussion of the gainers and losers of RA 6657, this measure is similar to the previous agrarian reform programs for its passage was a short-term solution for diffusing peasant unrest and appeasing the popular clamor for an agrarian reform. The architects of the law are still the propertied class, except that the dominant players are the domestic agribusiness plantation owners. The design of this Act also reveals an alliance of the propertied group with the rural middle class, a dominant sector in village-based politics.

Because RA 6657 falls short of achieving a more egalitarian and efficient landownership structure, the peasant sector under the aegis of the Congress for People's Agrarian Reform (CPAR) has formulated an alternative agrarian reform measure. Before examining this measure, let us briefly examine the response of Congress after the passage of RA 6657.

### *Response of Congress to RA 6657*

Since the signing of RA 6657 into law on 10 June 1988, some members of the lower and the Upper Houses have initiated moves that will further dilute the already watered-down comprehensiveness of CARL (Table 4). At present, there are as many as 53 pending bills and resolutions in the two Chambers. The bulk of the amendments aim at limiting the coverage of land reform, particularly either in farming activities perceived as enjoying economies of scale or in areas proposed for non-agricultural activities.

Aside from these, various landowners have used the legal venues to strengthen their position. A clear victory was the *en banc* decision of the Supreme Court dated 07 March 1991 (*Luz Farms vs. Secretary of the DAR*) which essentially exempts some 400,000 ha of agricultural land devoted to livestock and poultry from land reform. Another was the Department of Justice opinion in 1990 exempting agricultural lands designated as non-agricultural in the town zoning maps developed prior to 15 June 1988, the date when CARL was put into effectivity. And the third was the Supreme Court ruling that agriculture lands cannot be distributed unless the landowners are fully paid.

Similarly, the Government has vacillated on its commitments to CARL. The most recent proof of this faltering commitment was shown when a large amount of the agrarian reform fund was diverted to a livelihood project of one of the local governments. Even the government's approach to industrialization, as amply illustrated by the indiscriminate land conversions, directly clashes with the goals of the reform measure.

What these examples illustrate is that landowners, with their political and economic influence, are rapidly consolidating their forces and increasing their bargaining leverage vis-a-vis the prospective beneficiaries. The interests of this group have been bolstered further by the lack of political commitment of the government and the many loopholes for evasion in the law.

### *RA 6657 Versus PARCODE: Which One Is More Comprehensive?*

Immediately after the passage of RA 6657 into law on 10 June 1988, the Congress for a People's Agrarian Reform (CPAR), the umbrella coalition of 12 large peasant organizations, drafted an alternative agrarian reform measure called the People's Agrarian Reform Code (PARCODE). In a multi-sectoral conference held three weeks after RA 6657 was signed into law, the PARCODE was unanimously approved by a broad spectrum of peasant organizations, sectoral and cause-oriented groups, non-governmental organizations (NGOs) and other political alliances. CPAR to date is gathering three million voter signatures in favor of PARCODE in line with the Constitutional provision allowing for people's legislative initiatives.

This section compares RA 6657 with PARCODE determining in the process (a) the objectives prioritized by these reform measures; and (b) the nature of transition envisioned by both measures. It is hoped that after this examination, one can identify which of these measures is indeed more comprehensive.

Table 4  
Matrix of House and Senate Bills and Resolutions

***** Bill/Resolution		
Number	Subject	a/ Status
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I. Lower House		
A. Bills		
1) HB 889	- expropriation of land from the Musa estate in Davao del Sur for the relocation of poor and landless fishermen and farmers	tabled (covered by R.A. 6657)
2) HB 16343	- exemption from CARP of all ancestrally-claimed and titled lands occupied and cultivated by members of the National Cultural Communities	request for joint referral (with the Committee on National Cultural Communities)
3) HB 30626	- exemption from CARP of all lands cultivated by religious associations living and working together in communities	pending in the AR committee
4) HB 16211	- exemption from the commercial farming classification in the CARP all lands devoted to livestock, poultry and swine raising and aquaculture (salt beds, fishponds and prawn ponds)	pending in the AR committee
5) HB 17773	- exemption from CARP of commercial livestock, poultry and swine raising, aquaculture, including saltbeds, fishponds and prawn farms	pending in the AR committee
6) HB 18922	- exclusion from CARP of all lands devoted to poultry, swine and cattle production	pending in the AR committee
7) HB 17278	- provision of a production sharing scheme based on "net" income production for farm-workers, managers, supervisors and technicians engaged in all livestock and poultry businesses using less than five (5) ha of land	pending in the AR committee
8) HB 23472	- exemption from CARP of all dairy farms, fishponds and all lands devoted to fruit trees, coffee, cacao, coconut, papaya, mango, durian, guyabano, bananas, macadamia nuts, pili nuts and cashews	pending in the AR committee

a/ As of 1990



Table 4 (Continuation)

Bill/Resolution Number	Subject	Status
9) HB 23559	- exemption from CARP of private lands with 18 percent slope gradient provided that these lands be devoted to industrial and fruit tree plantations	pending in the AR committee
10) HB 24910	- exemption from CARP of all lands identified by the Metropolitan Manila zoning ordinance or Municipal or City Comprehensive Development Plans as commercial, industrial or residential areas	pending in the AR committee
11) HB 31315	- exclusion from CARP of all lands with a declared market value of P30 or more per square meter as of June 1987	pending in the AR committee
12) HB 32783	- exclusion from CARP of all lands with a declared market value of P10 or more	pending in the AR committee
13) HB 33021	- provision of a six year moratorium starting January 1, 1991 of CARP implementation on all agricultural lands devoted to sugar cane	pending in the AR committee
14) HB 32191	- provision allowing the immediate reclassification of forest lands no longer suitable for forestry into agricultural lands	pending in the AR committee
15) HB 17731	- repulsion of PD 717 as amended because of its failure to institutionalize an agrarian reform credit and financing system	pending in the AR committee
16) HB 21610	- provision of balanced representation of beneficiaries and land owners in the implementation of CARP by equalizing the number of representation from each group in the PARC, identifying the members of the EXCOM, and streamlining the PARCOM	pending in the AR committee

Bill/Resolution Number	Subject	Status
17) HB 21990 -	appropriation of 50 percent of the proceeds from the disposition of properties of the government in Japan to WW II Filipino Veterans thereby amending sect 63 sub-section C of CARP which directs all disposition proceeds from all countries to financing the CARP	pending in the AR committee
18) HB 25911 -	addition of a paragraph in the land conversion provision in the CARP for cases where no tenant is affected; in such cases, the city or municipal council may authorize the reclassification or conversion of the land and its disposition subject to existing laws	pending in the AR committee
19) HB 26561 -	prescription of conditions for land conversion from agricultural to non-agricultural uses	pending in the AR committee
20) HB 27470 -	declaration of the State's policies of promoting investments and renewed corporate activities under CARP by allowing corporations and associations formed after the effectivity of CARP to avail of stock transfers and distribution or stock option plans	pending in the AR committee
21) HB 27673 -	revision of the CARP to assure the payment and just compensation of landowners	pending in the AR committee
22) HB 277331 -	redefinition of the CARP objectives	pending in the AR committee
23) HB 28033 -	provision for retention limits and priorities in the distribution of agricultural lands	pending in the AR committee
24) HB 28277 -	amending CARP by proposing to base retention limits on the land's economic viability	pending in the AR committee
25) HB 28279 -	provision for a basis for determining the landowner's just compensation and prescription of a corresponding mode of compensation	pending in the AR committee

Table 4 (Continuation)

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Bill/Resolution Number	Subject	Status
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26) HB 28463 -	provision of unconditional grants and aids for support of agrarian reform	pending in the AR committee
27) HB 28803 -	protection of a corporate shareholder's right of retention to his agricultural land	pending in the AR committee
28) HB 31557 -	cancellation of stock transfer ownership as a mode of transferring land ownership to farmer-beneficiaries	pending in the AR committee
29) HB 33252 -	increasing the consideration for the lease of tenanted lands and lands not devoted to rice farming (and thus not yet covered by CARP) from 25 to 50 percent of the average normal harvest of three agricultural years immediately preceding the date leasehold was established	
30) HB 33651 -	definition of the powers and functions of the PARCOM in order to strengthen its capacity to carry out the CARP	
B. Resolutions		
1) HR 1893 -	Urges the Land Management Bureau of the DENR and the BAR to act immediately on claims of various settler groups in Davao	
2) HR 776 -	Urges the Lower House Agrarian Reform Committee to probe expansion of Del Monte in Bukidnon in possible violation of the CARP	
3) HR 853 -	requests the Office of the President to organize a study group which would quantify the resources/inputs needed for the CARP, the purpose of which is to identify the manufacturing facilities that the private sector has to establish	pending in the AR committee
4) HR 915 -	proposes the indefinite suspension of CARP relative to the livestock and poultry raising enterprises	pending on the AR committee
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Table 4 (Continuation)

Bill/Resolution Number	Subject	Status
5) HR 992 -	requests the investigation of anomalous issuance of clearance permits for the establishment of resettlement areas	pending on the AR committee
6) HR 1022 -	requests the Lower House Committees on Agrarian Reform and on Agriculture and Food to report on the agricultural and agrarian reform credit policy as established under PD 717	pending on the AR committee
7) HR 1082 -	proposes the suspension of CARP implementation on commercial livestock farms	pending on the AR committee
8) HR 1324 -	requests the review of all land purchases and transactions of the DAR in implementing the CARP	pending on the AR committee
9) HR 1029 -	requests an inquiry by the Lower House Agrarian Reform Committee on the indiscriminate conversion of fertile agricultural lands into residential, commercial or industrial zones	pending on the AR committee
10) HR 1215 -	requests Lower House committee on agrarian reform to probe the retrenchment of 952 TADECO workers in the light of its implication on the CARP	pending on the AR committee
11) HR 1502 -	requests that landowners be given priority to negotiate with the Asset Privatization Trust as a measure to accelerate Land Acquisition	pending on the AR committee
12) HR 1650 -	requests a study on the matter of the conversion of agricultural lands into residential, commercial and industrial lands	pending on the AR committee
13) HR 1662 -	requests that the Lower House Committees on Economic Affairs, Agrarian Reform, Agriculture, Natural Resources and Environment, and Urban Development to draw up a National Land Use policy of the government for the purpose of balancing land use for residential, commercial, industrial, agricultural and mangroves purposes	pending on the AR committee

Table 4 (Continuation)

Bill/Resolution Number	Subject	Status
14) HR 1687 -	calls for a bicameral study group the purpose of which is to introduce amendments to the CARP	pending on the AR committee
15) HR 1863 -	calls for an inquiry into the loan policies of banking and other financial institutions specifically those with regards to cooperative and agricultural development financing	pending on the AR committee
16) HR 2056 -	urges PARC to assign DAR the exclusive authority regarding land acquisition and distribution as provided by the CARP	pending on the AR committee
II. Upper House		
1) SB 1157 -	requires that government banking and lending institution to grant the DAR the right of first refusal before any foreclosed property classified as agricultural land is offered for sale to the public, provided that DAR, upon acquisition of the land shall redistribute it under the provisions of CARP	pending on the AR committee
2) SB 1127 -	requires that all proposed agricultural land acquisitions of the DAR for implementing the CARP be published in a newspaper of general circulation for the purpose of transparency and public scrutiny	pending on the AR committee
3) SB 1412 -	repeals the 5 year experience requirement of any Agrarian Reform Secretary or Undersecretary as required in Section 50 Article I, Chapter III of Republic Act 3844, as amended	pending on the AR committee
4) SB 1221 -	introduces for the purpose of strengthening CARP several changes such as (1) PARC approval of land acquisition amounting to greater than P10 M, and (2) requiring the deed of acquisition	pending on the AR committee

Table 4 (Continuation)

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Bill/Resolution		
Number	Subject	Status
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	to carry the signature of both the DAR Secretary and LBP President; and several new provisions regarding (1) publications of DAR land acquisition, and (2) inclusion of the Provincial Auditor and a COA representative in the PARCOM and the Compensation Clearing Committee (CCC), respectively	
5) SB 1415 -	seeks to exempt commercial livestock, poultry, and swine raising farms from the coverage of CARP	pending on the AR committee
6) SB 1460 -	regulates the cutting of coconut trees and the conversion of coconut farms into other agricultural uses, and for other purposes	for 2nd reading pending on the AR committee
7) SB 650 -	proposes to exempt small farms, 50 ha or less from the coverage of the CARP	pending on the AR committee

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Source: Committee on Agrarian Reform, House of Representatives, Republic of the Philippines.  
 Committee on Agrarian Reform and Rural Development, Senate of the Republic of the Philippines.

**A Comparison of Land Reform Components.** Table 5 compares the land reform coverage of both measures. While the two measures cover public and private agricultural lands regardless of tenurial arrangements and crops grown, CARL includes a long list of exempted or non-reform areas and alternative schemes that can serve as substitutes to land distribution. It is interesting to note that majority of the land types exempted from land reform in CARL are included in the PARCODE's reformed areas. Thus, in terms of area coverage, PARCODE is more comprehensive. Also, since it does not provide alternative schemes to land distribution, PARCODE lessens the possible evasionary venues available to present landowners.

The proposed agrarian reform program is superior to RA 6657 on four other aspects. First, it proposes a single retention limit which is likewise the award ceiling to agrarian reform beneficiaries. Further, it stipulates that the prospective beneficiaries acquire quality or prime lands, thereby enhancing their opportunity to increase yields; this is crucial especially during the initial years of the reform period. Third, it favors a shorter time period for land reform implementation; as shall be mentioned in succeeding sections, countries wherein agrarian reform was successfully implemented completed the reform in a short time frame. And lastly, it is more flexible for unlike RA 6657 which stipulates a step-wise implementation schedule, PARCODE leaves the determination of the priority areas to the agrarian reform committees.

If implemented according to plan, PARCODE's land reform program will ensure a more egalitarian landownership structure. Moreover, since it is premised on the development of small-sized farms, it will assure the economy of a more efficient allocation of the country's resources.

The major bottleneck for PARCODE is the political resistance from the landowners, especially the rural middle class. Its chances of implementation would have been greater if it were accomplished during the initial years of the Aquino Administration when the landowners were more conciliatory to the idea of land reform. Today, however, landowners are more organized, are more entrenched in the political and economic landscape, and hence, have mustered more political and economic leverage.

**Comparison of Provisions Affecting the Landowners.** Table 6 compares the two agrarian reform measures in terms of landowners' compensation. While both will pay the landowners a remuneration using fair market value as a basis for valuing land, the two differ in the factors that will be employed. The long list of qualitative factors in these two reform measures can be the source of delaying payments and hence, serve as a basis for building discontentment among the landowners.

A most noticeable difference between the two measures consists of favorable terms accorded to the landowners under RA 6657. Specifically, the landowners will be fully compensated, with the mode of payment ensuring attractive future values for their lost property. Aside from this, the government shall assist the landowners in identifying agro-industrial investment schemes as well as providing them incentives for their prospective investment ventures.

Table 5  
A Comparison of RA 6657 and PARCODE by Land Reform Components

*****		*****	
	RA 6657		PARCODE
Coverage	All private agricultural lands regardless of crops grown and tenurial arrangements		All private agricultural lands, regardless of crops grown and tenurial arrangements
	Idle and abandoned, foreclosed and sequestered lands		Commercial farms such as piggery, poultry, livestock, etc
	Government-owned agricultural lands		Arable public lands and newly acquired and reclaimed areas
	A & D agricultural lands		Logging areas
	Public agricultural lands under agro-based, pasture, leases		Thickly-populated national parks
			Pasture areas
			Idle and abandoned, foreclosed and sequestered lands
			Church and schools-owned agricultural lands
			Plantations and haciendas
			Military reservations
			Non-government lands
			All water and fishing resources (inland, coastal and offshore fishing areas)
			Mangroves, marshlands suitable for fishing, fishponds, legal and illegal fishpens, prawn farms, salt beds and coastal lands
			All lands and water resources effectively under the control of US military bases
			All other agricultural lands
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Table 5 (Continuation)

RA 6657		PARCODE
		Those immediately converted to non-agricultural uses
Exemptions	Parks, wildlife, forest reserves, reforestation, fish sanctuaries, and breeding grounds, watersheds and mangroves, national defense, school sites and campuses, experimental farm stations of public and private schools, research and production centers, churches and convents, mosque sites and Islamic centers, communal burying grounds and cemeteries, penal colonies and penal farms, government and private research and quarantine centers, 18 percent sloped lands, ancestral lands	- none -
Non-land transfer schemes	Corporate stock sharing Request/approval for land use Conversion Land reform deferment scheme of up to 10 years for commercial farms engaged in livestock, poultry and swine raising, aquaculture, saltbeds, fishponds and prawn ponds, fruit farms, orchards, vegetables and cutflowers, cacao coffee and rubber	- none -
MNCs	Acquisition and distribution of public lands under lease, management, or grower's contract with MNCs in excess of 1,000 ha within 3 years from date of law  MNC - controlled public lands within hectaraage limit can operate until 8/29/92; beyond that for distribution of lands excluding improvements  Land contracts for public lands can continue after new contracts are arranged	Continue of land contracts for 2 years from date of law, after which for acquisition and distribution including improvements in land

Table 5 (Continuation)

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RA 6657		PARCODE
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	Compulsory acquisition/distribution of private-owned lands under land contracts with MNCs after 10 years	
Retention Limits	Seven ha for rice and corn lands Five ha for other croplands Up to 24 ha for homestead lands No limit for farm under corporate stock sharing 1,000 ha limit for public lands leased by government to companies and 500 ha if individuals Three ha each for legal heirs of landowner Landowners with right to choose retained land	Five (5) ha so long as actual tillers, and determined by Local People's Agrarian Reform Council (PARCON) Higher limits for farmers' or fisherfolks' coops or association Superior lands to bene- ficiaries
Award Ceiling	Three ha	Five (5) ha
Implementation Schedule	10 years; stepwise implementation	Five years; schedule determined by PARCON and by CCARRD
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**Table 6**  
**Comparison of Mode of Landowner Compensation Under RA 6657 and PARCODE**

	RA 6657	PARCODE
<b>Just compensation</b>	<b>Fair market value subject to:</b>	<b>Fair market value subject to:</b>
<b>Factors for valuation</b>	<ul style="list-style-type: none"> <li>- current value of like properties</li> <li>- nature, use and actual income</li> <li>- sworn valuation of of landowner</li> <li>- tax declaration</li> <li>- assessor's value</li> <li>- social-economic benefits provided by farmers and and government to the property</li> </ul>	<ul style="list-style-type: none"> <li>mode of land acquisition</li> <li>existence of abusive and exploitative practices</li> <li>benevolent landowner's practices to tenants/farmworkers</li> <li>other factors determined by CCARD and PARC</li> </ul>
<b>Compensation amount equivalent</b>	<b>Land Price x No. of ha</b>	<b>Selective and progressive compensation dependent on farm size of landowners:</b> <ul style="list-style-type: none"> <li>- 7 ha and below: full market value as declared by landowner (LO) in latest tax declaration</li> <li>- 7 - 24 ha: 75% of fair market value as declared by LO in latest for declaration</li> <li>- 24 - 50 ha: 50% of fair market value</li> <li>- above 50 ha 10% of fair market value</li> </ul>
<b>Mode of Compensation</b>	<b>Cash</b> <ul style="list-style-type: none"> <li>- above 50 ha: 25%; balance to be paid in government financial instruments negotiation at any time</li> <li>- 24 - 50 ha 30%, balance same as above</li> <li>- 24 and below: 35%; balance same as above</li> <li>- stock shares</li> <li>- tax credits</li> <li>- LB bonds: market interest</li> </ul>	<b>Cash</b> <ul style="list-style-type: none"> <li>- less than 7 ha: 50%; balance in 5 equal annual installments</li> <li>- 24 - 50 ha: 20%; balance in 10 equal annual installments</li> <li>- in excess of 50 ha 10%</li> </ul>

Table 6 (Continuation)

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	RA 6657	PARCODE
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	rates; 10 percent of value matures every year which can be used by landowner to pay taxes, acquire government property, pay tuition fees, etc.	Stock shares in government corporations, LBP or other qualified govt.  Direct payment in cash or in kind by farmer beneficiaries  Other modes approved by CCARRD
Incentives To landowners/ assistance	Voluntary offer to sell lands additional 5 percent cash Incentives for investment in rural-based industries Investment information, financial and counselling assistance Facilities, programs and schemes for conversion of land payment outp other financial investment Marketing of LBP lands	Landowners with farms seven ha and below given concessional loans Collateral loans used for agro-industrialization  DLT lands that are not fully paid shall be covered by this law's valuation
Real property tax	Not mentioned	Payment using owner's declaration of amount market value
=====		

In contrast, PARCODE adopts a progressive and selective mode of compensation. This means that the smaller the landholdings, the higher the compensation to be paid to the landowners. Under this scheme, landowners whose holdings are seven ha and below will be fully compensated; in addition, they shall be given credit incentives if they undertake agro-industrial activities. On the other hand, landowners whose holdings exceed 50 ha will be paid an equivalent of 10 percent of the declared market value.

The payment will also be selective based on the following criteria: manner of land acquisition, existence of exploitative and abusive practices by the landowner, personal relations between landowners and farmworkers and other factors to be determined by the local-based agrarian reform committees.

The other basic differences between the two measures are: (a) the inclusion of a progressive real property tax in PARCODE; and (b) the varied modes of compensation allowed in PARCODE. The implementation of a land tax to complement this reform will hasten land redistribution; will ensure intensive use of the land; will generate government revenues; and will serve as a disincentive for land speculation (Hayami, Quisumbing and Adriano 1990). Innovative in PARCODE is its openness to different modes of compensation, including direct market transactions between the landowner and the farmworker. While this requires close supervision by unbiased locally-based agrarian reform committees to ensure the protection of the farmworkers' rights, this flexibility in the sale of land can nevertheless speed up the acquisition and redistribution of agricultural land, especially those which are voluntarily being offered for sale by the landowners themselves.

In brief, PARCODE, if successfully implemented, promises to be more egalitarian than RA 6657. But as mentioned earlier, it will meet more resistance from the propertied class. For it to be successfully implemented, PARCODE requires a government willing and capable to enforce it as well as an organized peasant group that can physically support the undertakings of the government.

**Comparison of Provisions Affecting the Prospective Beneficiaries.** A closer inspection of the prospective beneficiaries targetted by both reform measures would reveal that PARCODE's list encompasses to a large degree the agricultural share tenants, lessees, and landless but cultivating farm workers of public and private lands (Table 7). The main features characterizing PARCODE's targetted beneficiaries are that: (a) they are tillers of the land; (b) because of their low income status, they have no access to and control of this scarce resource; and (c) farming is their main occupation. Innovative inclusions in PARCODE's list which nonetheless still reflect the bias of this proposed reform measure for the rural poor and the underprivileged are the small fishermen and rural women who are widowed, single parents, abandoned women, and single women who are heads of the family. It also includes as eligible beneficiaries all peasants and farmworkers who occupied agricultural lands prior to the passage of the measure.<sup>22</sup>

22. The inclusion of this provision directly refers to the peasants' and farmworkers' takeover of some 70,000 hectares of land immediately after the EDSA revolution. Under EO 229 and RA 6657, these tiller-occupants are not eligible beneficiaries of agrarian reform (Tadem 1988).

**Table 7**  
**Comparison of Provisions to Beneficiaries Under RA 6657 and PARCODE**

	<b>RA 6657</b>	<b>PARCODE</b>
<b>Beneficiaries</b>	Agricultural share tenants Agricultural lessees Regular/seasonal farmworkers  Actual tillers or occupants of public land Other farmworkers Collective or cooperatives of beneficiaries Others directly working on the land Children of landowners Rural women Veterans and retirees of the Armed Forces of the Phil. and Integrated National Police Agricultural graduates	Agricultural share tenants Agricultural lessees Regular/seasonal farmworkers  Actual tillers of abandoned lands Landless agricultural farmworkers  Actual landless tillers/occupants of public land Small fishermen Rural women (especially widowed, single women parent, abandoned women, single women head of the family) Collectives or cooperatives of above beneficiaries Other direct producers deprived of access to a control of natural resources Occupants prior to enactment of law
<b>Payment value</b>	Determined by LBP	Acquisition cost less all land rentals and uncompensated labor from start of tenancy
<b>Payment scheme</b>	30 annual amortizations at 6% interest first 3 years, payment may be at reduced rates	17 equal annual amortizations without interest first payment after 2 years from land transfer
<b>Transferrability of lands</b>	Not transferrable except to legal heir, government LBP, or other beneficiaries after 10 years	Not transferrable except to tilling heir or other members of family who will till the land  If family is not ready to till, transfer title to peasant organization in trust

Table 7 (Continuation)

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	RA 6657	PARCODE
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Realty tax	Not mentioned	Payment after sale
Support Services	Irrigation Infrastructure value  Government subsidies for irrigation facilities  Price support and guarantee scheme  Credit Promoting small- and medium- scale industries  R & D and low-cost/ ecologically-sound technique  Coop management training Market information Land survey and tilting Extension	Infrastructure Guaranteed price sub- sidies Credit to farmers' group More agricultural extension workers R & D especially low-cost and ecologically- sound technologies Technological training for women to lighten their fieldwork, day care services, etc. Free irrigation services Marketing, storage, and warehousing facilities Market and price informa- tion Skills upgrading for farmers and educating the public on fare ecology Government and private services for fare survey Health program Nationalize management initially and then transfer to farmers' group production and marketing
=====		

Using the rural class stratification developed by Quisumbing and Adriano (1988), PARCODE's list focuses on the peasantry with limited access to and control of the land they cultivate and the rural proletariat. In contrast, RA 6657, while it is also inclined towards landless rural producers and workers, favors in actuality the medium- and large-sized peasant owners (landowners of five to 24 ha), local agribusiness corporations, and to a lesser degree, *hacienda* owners.

The distinguishing feature of PARCODE is the effective payment of prospective beneficiaries. While it stipulates that farmer- beneficiaries will pay the amount equivalent to the acquisition cost of the land, this reform incorporated a provision that from this total cost, previous land rentals and uncompensated backpay wages will be deducted. In effect, PARCODE recommends to many agrarian reform areas zero payment from the beneficiaries (Tadem 1987). In contrast, RA 6657 expects re-payment from the beneficiaries, the amount of which will be determined by LBP, payable in at 30 annual amortizations at 6.0 percent interest rate.

Of the different provisions in PARCODE, it was the free distribution concept which elicited much controversy in the agrarian reform debate. While peasant organizations generally favor this provision, many cause-oriented NGOs (e.g., FARM<sup>23</sup>) agree that the proposed provision is not politically and economically viable. Taking into account the present political configuration and the financial constraint of the government, free distribution will only fuel the political resentment and opposition of the landlord bloc, thereby impeding the implementation of the reform. Moreover, the process of land acquisition and distribution entails huge financial cost on the government; payment from the beneficiaries, while not sufficient to cover these costs, can at least pay for a portion of these expenditures. Moreover, considering that it is payment for a scarce resource, the remuneration is justified to reflect the scarcity of this factor of production.

Other provisions directed to the beneficiaries and which markedly differ from RA 6657 are: first, while both measures limit the transferability of property rights by the beneficiaries, RA 6657 favors the legal heirs and the state as the second generation of beneficiaries while PARCODE, consistent with its overriding principle of "land to the tillers," limits the transferability of land contracts to tilling heirs and other members of the family who will cultivate the lands. A unique feature of PARCODE is the trust fund system wherein the property rights of the land are initially placed under the trust of a peasant organization until the members of the beneficiary's family are ready to cultivate the lands.

Second, under the PARCODE, real property taxes will be charged against targeted beneficiaries as well; RA 6657, on the other hand, does not have a similar provision. The inclusion of this provision enables the government to extract surplus from the agricultural sector and transfer these resources for financing the economy's transition to development

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23. FARM is the acronym for Forum for Agrarian Reform Movement, a coalition of several NGOs supporting the implementation of a comprehensive agrarian reform.



(Habito 1988). It is also an efficient policy instrument for ensuring the optimal cultivation of land.

And, thirdly, both measures prioritize the forms of support services required by the potential beneficiaries to enable them to become productive producers. Judging from the list of support services itemized in PARCODE, the latter measure provides a comprehensive infrastructural and support services requirements of small-scale rural producers, from farm production to downstream and upstream activities. A unique inclusion is the need for education programs aimed at upgrading the skills of rural producers and enhancing the public awareness on farm ecology. It also specifies the utilization of government and private surveyors to speed up the land titling process. Lastly, it recognizes the need for technological training tailored to rural women producers as well as institutional arrangements and technologies that will lighten household chores of rural women.

**Comparison of Land Contracts.** The two measures are similar in the sense that they prohibit tenancy contracts, encourage owner-cultivatorship, and regulate lease rentals to 25 percent (Table 8). Their difference stems from: (a) their treatment of direct labor arrangement; and (b) their positions on leases and other managerial contracts of foreign-owned agribusiness corporations. Specifically, RA 6657 encourages direct wage system and longer phase-out time schedule for foreign-controlled plantation. In contrast, PARCODE discourages direct wage system and recommends a shorter phase-out period for the said plantations; moreover, acquisition and distribution of plantation lands will include the land improvements.

**Comparisons on Prohibited Acts and Penalty Clause.** Except for non-cultivation by landowners of subject land as a prohibited Act in PARCODE, the two measures are similar in what constitute actions that are against the principles of agrarian reform (Table 9). What differentiates the two measures is that PARCODE stipulates stiffer penalties for outright evasions of agrarian reform. RA 6657, on the other hand, applies an across-the-board penalty clause, regardless of the gravity of the wrongdoing.

**Conclusion.** Based on the above discussion, it is clear that PARCODE has been designed primarily to address the inequality problem, arising from skewed landownership distribution. If successfully implemented, the direct beneficiaries of this reform measure would be the actual tillers of the land belonging to the bottom rung of the rural class stratification.

To the extent that it promotes essentially a more homogenous operational farm size, the program can achieve the efficiency objective so long as it equally removes the bottlenecks impeding small farmers' access to productive resources other than land (Hayami, Quisumbing and Adriano 1990). Moreover, because of its inclusion of the enforcement of a property tax, mechanisms for generating and transferring rural surplus from the reformed and non-reformed areas are institutionalized. Lastly, the political objective of PARCODE is clear and, that is, to build and strengthen the rural power base, enabling the previously poor and underprivileged in the countryside to actively participate in the dynamics of politics.

Table 8  
Comparison of Land Contracts Under RA 6657 PARCODE

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	RA 6657	PARCODE
Tenancy rights	Prohibited	Prohibited
Owner-cultivatorship	Promoted	Promoted
Wage system	Promoted	Discouraged except in coops farms
Lease rental	25 percent	25 percent
Leases, mortgages	Three to four yrs. with provision for renegotiation	Two years with provision for renegotiation

Table 9  
Comparison of Prohibited Acts and Penalty Clauses Under RA 6657 and PARCODE

	RA 6657	PARCODE
Prohibited Acts	Ownership in excess of retention limit	Ownership of lands in excess of 5 ha after 5 yrs. from passage of law
	Forcible entry or illegal detention of unqualified beneficiaries	Future of landowner to register his holdings
	Conversion of land	Eviction, exclusion, or forced removal of tenant, or eviction or outright replacement of formulation
	Willful prevention of CARP	Sale, disposition, land execution of management contrast on private land after law
	Sale, transfer, or change of nature of lands	Conversion of agricultural land
	Sale, transfer or of beneficiary	Entry and occupation with the use of force, intimi- dation or threat
		Non-cultivators of land
Penalties	Imprisonment from one month to 3 years	Stiffer penalties for graver prohibitions
	Fine of P1,000-P15,000	

It should be stressed that PARCODE does not envision a socialist-based countryside wherein the ownership of the land is solely granted to the state. The proposed program worked within the context of individual property ownership rights. What was significant about this position was that it was a common agenda arrived at through consensus building, thereby transcending the wide range of political tendencies represented in the CPAR alliance (Gillego 1988).

Applying the typology of land reforms developed by de Janvry (1981) and initiated by Lenin (1899), one will note that PARCODE's vision of development in the countryside is an egalitarian economy dominated by modernized peasants. Land reform in this case is viewed as an instrument for effecting this transition.

In contrast, RA 6657 follows a junker-farmer route, or a combination of plantation and small farms. Such a transition path will tend to exacerbate income inequality in the countryside as plantation owners, because of their political and economic influence, will tend to capture the gains from economic growth.

Having assessed the agrarian reform law, let us now discuss the implementation of CARL between 1987 and 1990 and assess how the bottlenecks/loopholes in the law have served as the major stumbling blocks for attaining the agrarian reform objectives.

#### IV. AN ASSESSMENT OF RA 6657 IMPLEMENTATION

The implementation of RA 6657 relies heavily on the Department of Agrarian Reform (DAR), the agency tasked specifically with this purpose. This section examines DAR's performance in land reform and the major problems it has encountered in implementing RA 6657.

##### *Land Distribution*

For the years from July 1987 to 1990, 1.2 million ha were distributed under EO 229 and RA 6657 (Table 10). This covers roughly 14 percent of the total land area of this reform measure. Compared to the pre-CARL period, the performance of DAR during the CARL years immensely improved especially in the distribution of rice and corn lands, as well as landed estates and resettlements. For both land type categories, DAR more than doubled the area covered during the pre-CARL years.

The largest land type that was reformed between 1987 and 1990 was that of agricultural and disposable (A & D) public agricultural lands, covering close to half a million ha. However, this comprises only about 10 percent of the total targetted A & D public lands. Next to this land type are the rice and corn lands, at 382,000 ha, followed by landed estates, at 193,000 ha.

Significant achievement in land distribution was recorded for government-owned lands wherein the actual coverage exceeded the targetted coverage. Majority of these lands were those leased to foreign-owned agribusiness corporations, mainly, Del Monte, Dole and Sime Darby. The promulgation of Executive Order (EO) 407, mandating all government financing institutions to turn-over foreclosed agricultural properties to the

Table 10  
Land Distribution Accomplishment by Land Type  
Pre-CARL and 1987 - 1990

Land Type	EO229/CARL PERIOD		PRE-CARL PERIOD	
	Scope (1987-97) (Ha)	Actual Accomplishment (1987-90) (Ha)	Actual Accomplishment (Up to 1986) (Ha)	% of Scope
1. Tenanted rice & corn lands	727,800	381,799	113,328	15.6
2. Landed estates	478,500	192,864	154,084	32.2
3. Settlements				
4. Idle & abandoned lands	250,000	0	0	
5. PCGG - acquired lands	2,500	0	0	
6. Gov't.-owned lands	74,500	76,282	0	
7. A & D public agricultural lands	4,595,000	484,239	0	
8. Privately-owned agricultural lands	2,287,300	17,893	0	
9. Unspecified land type	-	11,612	0	
TOTAL	8,415,600 a/	1,164,689	267,412	3.2

a/ Excludes the 1.9 m ha under the ISF program.

Source: DAR Accomplishment reports, various issues.

DAR for land distribution, also expedited the acquisition and distribution of these types of lands. Of the total government-owned lands distributed between 1987 and 1990, 53,359 ha were the direct result of this EO.

Land reform was slowest in privately-owned agricultural lands, where only 17,893 ha, or 0.8 percent of the total land area distributed during the years in review, was covered by RA 6657. No lands were acquired and distributed under the categories of idle and abandoned as well as PCGG-foreclosed and sequestered lands, two categories which supposedly are priority one in the land reform list.

As Bulatao (1991) correctly points out, half of DAR's achievement in land reform for these years were actually covered by the traditional land reform programs. Specifically, the distribution of rice and corn lands falls under the Operation Land Transfer of PD 27 while the landed estates distribution is a continuation of RAs 1400 (1955) and 3844 (1963) as amended by RA 6389 (1971). If these were deducted from the land reform accomplishment for the years from 1987 to 1990, the effective area of RA 6657 is 5.9 million ha, or 7.0 percent of the total targetted coverage.

The emphasis on completing pre-CARL agrarian reform programs was initially the banner program of then DAR Secretary Philip Ella Juico. He was aiming at accomplishing PD 27 by the end of 1990 before proceeding to the other land types. Unfortunately, the Garchitorena scandal prevented him from continuing his plans.

To put more focus on the broad-based strategy of CARL, former Secretary Florencio Abad identified 24 strategic operating provinces (SOPs) where land acquisition and distribution can be facilitated and where successful land reformed farms through coordinated provision and delivery of infrastructure and support services can be showcased (Table 11). Like Juico, however, he did not stay long in his position to accomplish his plans.

The next Secretary, Benjamin Leong, adopted the 24 SOPs while limiting the land reform aspect in pre-CARL programs. Thus, in 1990, more than three-fourths of the actual land covered were rice and corn lands as well as the resettlements and landed estates.

The low land distribution accomplishment of DAR in the past three years has encouraged the Presidential Agrarian Reform Committee (PARC) to downscale the land acquisition and distribution targets on the basis of actual performance and the pace of delivery of support services to agrarian reform beneficiaries (PARC 1991). This only means that the land reform aspect will take longer than the 10-year time frame as stipulated in RA 6657. Using past performance as an indicator, it will take roughly 19 years or longer before the total targetted coverage of CARL is reformed.

#### *Agrarian Reform Beneficiaries*

Excluding the A & D public lands, DAR has distributed 604,796 Emancipation Patents (EPs) and Certificates of Land Ownership Award (CLOAs) to a total of 496,538 farmer-beneficiaries (Table 12). Three-fourths of the total number of beneficiaries are

Table 11. Strategic Operating Provinces by Province and Area.

Region	Province	Scope	% Share
I	Pangasinan	70,448	2.61
II	Isabela	58,702	2.18
III	Nueva Eoiija	94,381	3.50
	Pampanga	67,067	2.49
IV	Batangas	86,598	3.21
	Quezon (1 & 2)	171,381	6.36
	Mindoro Occ.	45,092	1.67
V	Camarines Sur	236,741	8.79
	Sorsogon	45,334	1.68
VI	Negros Occ.	338,816	12.57
	Antique	29,819	1.11
VII	Negros Oriental	87,249	3.24
	Bohol	43,684	1.62
VIII	Western Samar	202,004	7.50
	Leyte	109,294	4.06
IX	Zamboanga del Sur	186,131	6.91
X	Bukidnon	310,577	11.53
	Agusan del Sur	173,811	6.45
XI	South Cotabato	63,892	2.37
	Davao del Norte	58,590	2.19
XII	Maguindanao	102,872	3.82
	North Cotabato	80,446	2.98
CAR	Kalinga-Apayao	21,789	0.81
	Ifugao	9,519	0.35
TOTAL		2,694,237 *	100.00

\*70% of CARP 10-year land distribution target.

Source: Second Anniversary of the Comprehensive Agrarian Reform Law.

**Table 12**  
**Number of Farmer Beneficiaries by Region and Land Type, 1987-1990**

Region	Gov't.-owned Lands		Private Agric'l. Lands		Resettlement & Landed Estates	
	FBs	% of Total	FBs	% of Total	FBs	% of Total
I	0	0	122	2.2	897	1.0
II	4,833	9.9	1,029	18.2	6,287	7.0
III	113	0.2	0	0	12,525	14.0
IV	308	0.6	837	14.8	13,788	15.4
V	79	0.2	293	5.2	1,156	1.3
VI	4,634	9.5	330	5.8	2,902	3.2
VII	2,200	4.5	0	0	1,131	1.3
VIII	4,316	8.8	53	1.0	8,019	8.9
IX	2,239	4.6	6	0.1	1,855	2.1
X	13,917	28.4	1,160	20.5	13,274	14.8
XI	16,346	33.3	461	8.2	4,590	5.1
XII	0	0	1,104	19.5	23,317	26.0
CAR	58	0.1	258	4.6	0	0
PHIL.	49,083	100.0	5,633	100.0	89,741	100.0

FBs = farmer-beneficiaries

Table 12 (Continuation)

Region	Operation Land Transfer		PCGS-Surrendered/ Sequestered Lands		Idle and Abandoned Lands		TOTAL	
	Area	% of Total	Area	% of Total	Area	% of Total	FBs	Percent
I	37,555	10.7	0	0	0	0	38,578	8.0
II	50,632	14.4	0	0	0	0	62,801	13.0
CAR	1,427	0.4	0	0	0	0	1,743	0.4
III	77,632	22.1	0	0	0	0	90,270	18.0
IV	24,359	6.9	0	0	1,445	100.0	40,737	8.2
V	45,524	13.0	0	0	0	0	47,052	9.5
VI	17,297	4.9	0	0	0	0	25,188	5.1
VII	21,254	6.0	0	0	0	0	22,566	4.5
VIII	28,022	8.0	0	0	0	0	40,412	8.1
IX	10,185	3.0	0	0	0	0	14,285	2.9
X	13,606	3.9	0	0	0	0	41,957	8.4
XI	8,868	2.5	0	0	0	0	30,265	6.1
XII	15,168	4.3	0	0	0	0	40,693	8.2
PHIL.	351,313	100.0	0	0	1,445	100.0	496,538	100.0

Source: DAR Accomplishment Reports.  
 FBs = Farmer-beneficiaries

found in rice and corn farms while the remaining are found mostly in resettlement and government-owned lands. The large recorded number of beneficiaries and titles could be due to a possible double-awarding of titles, as alleged by a senator, and the inclusion of farmworkers who were not actually awarded lands but rather were given shares of stocks. Moreover, many of the beneficiaries in the previous land reform measures were already awarded certificates of land title (Bulatao 1991). What remains to be done is the actual formal transfer of the property rights to the prospective beneficiaries; specifically, it requires DENR to accomplish the technical surveys and DAR to generate the titles, register the documents with the Register of Deeds and distribute them to the beneficiaries.

A breakdown of the beneficiaries by regions reveals that many of these beneficiaries come from Regions II and III (Table 12). The Cordillera Autonomous Region registered the lowest number of beneficiaries.

### *Non-Land Transfer and Deferment Schemes*

**Corporate Stock Distribution.** As of the first quarter of 1991, the DAR has received from 84 corporate farms applications for corporate stock distribution (Table 13). This covers a total of 28,012 ha and affects some 20,177 farmers. So far, about eight corporations with an area of 6,126 ha, have been allowed to convert the land value equivalent into stock shares. Interestingly, the first corporation which was exempted from land distribution by virtue of this scheme was Hacienda Luisita, the sugar plantation owned by the family of President Aquino. This farm covers 4,196 ha, affecting 6,296 farmworkers.

About 10,972 ha are still under review by PARC; a substantial portion of this area is located in Negros Occidental and Leyte. Several corporations with an area of 7,209 ha have withdrawn their applications while 3,509 ha are virtually exempted from land reform as a consequence of the Supreme Court decision which ruled the exclusion of livestock and poultry farms from this reform measure.

**Deferment Scheme.** At present, there are about 4,295 commercial farms which have applied for land reform deferment (Table 14). The total area of these farms is 194,766 ha, of which 18 percent have already been approved for deferment. Majority of these farms are located in Regions III, IV, VI, IX, and XI.

**Land Use Conversion.** There are two types of land use conversions -- the legal conversions or those who formally requested from DAR permission to convert their lands from agricultural to non-agricultural use, and the illegal conversions, those who have not sought request from this agency. Because of limited enforcement and lack of penalty provisions, it is suspected that the illegal type of conversion is much larger than the area of those who have sought conversion approval from DAR (DA 1991).

The extent of land use conversion is partly reflected in Table 15. As of March 1991, legal land use conversion applications cover close to 7,000 ha. The top six provinces with the most conversion applications are Cavite, Laguna, Rizal, Pampanga, Negros Occidental and Batangas (Table 16). The area for conversion in these provinces already constitute close to three-fourths of the total area with conversion applications.



Table 13  
Status of Corporate Stock Distribution by Province  
as of March 26, 1991

	No. of Farms	Area (Has.)	% of Total	Number of FBs	% of Total
1. Approved	8	6,126	21.9	8,008	39.7
2. Under Evaluation	54	10,972	39.2	5,883	29.2
3. Disapproved	1	196	0.7	30	0.1
4. Exempted due to SC decision	9	3,509	12.5	1,948	9.7
5. Withdrawn Applicants	12	7,209	25.7	4,308	21.4
<b>TOTAL</b>	<b>84</b>	<b>28,012</b>	<b>100.0</b>	<b>20,177</b>	<b>100.0</b>

% of Total to potential  
land reform coverage

0.27

% of Total to Total number  
of farmer-beneficiaries (FBs)

0.52

Source: DAR Accomplishment Report, 1990.

Table 14  
Applications for Commercial Farms Deferment  
(as of July 10, 1991)

REGION	Number of Applicants No.	%	Area Applied Ha	%	Area Deferred Ha	%	% Area Deferred
I	58	1.4	3,549.0	1.8	41.0	0.1	1.2
II	61	1.4	11,105.0	5.7	666.6	1.9	6.0
III	891	20.7	26,235.3	18.6	2,429.8	7.1	0.6
IV	611	14.2	23,123.2	11.9	2,449.1	7.2	1.6
V	149	3.5	17,379.4	8.9	67.7	0.2	0.4
VI	581	13.5	20,738.8	10.6	3,237.9	9.5	15.6
VII	167	3.9	6,239.4	3.2	1,216.0	3.6	19.5
VIII	29	0.7	1,156.2	0.6	439.5	1.3	38.0
IX	398	9.3	24,511.4	12.6	4,494.1	13.1	18.3
X	276	6.4	10,381.7	5.3	224.4	0.7	2.2
XI	911	21.2	32,554.9	16.7	16,834.7	49.2	51.7
XII	147	3.4	10,690.7	5.5	1,366.3	4.0	12.8
CAR	16	0.4	811.7	0.4	744.8	2.2	91.8
TOTAL	4,295	100.0	188,476.7	100.0	34,211.9	100.0	17.6

Source: DAR Central Office Task Force on Non-Land Transfer.

**Table 15**  
**Extent of Legal Land Use Conversions**  
 (as of March 1991)

Region	Approved Conversion Applications		Application Under Process at Bureau of Land Dev't.		Conversions Applications Covered by DOJ Opinion		Total	
	Ha	%	Ha	%	Ha	%	Ha	%
I	1.7	0.1	6.0	0.2	-	-	7.7	0.1
II	34.8	1.6	30.9	0.9	-	-	65.7	0.9
III	405.5	18.7	405.0	12.4	115.9	7.9	926.4	13.3
IV	1,253.7	57.8	2,044.3	62.4	1,148.5	77.8	4,446.5	64.3
V	41.3	1.9	87.8	2.7	-	-	121.9	1.9
VI	165.6	7.6	106.6	3.2	202.2	13.7	474.4	6.8
VII	20.9	1.0	96.6	3.0	-	-	117.5	1.7
VIII	35.6	1.6	152.5	4.6	-	-	188.1	2.7
IX	25.0	1.2	47.7	1.5	-	-	72.7	1.1
X	52.8	2.4	NS	NS	-	-	52.8	0.8
XI	109.6	5.0	204.6	6.2	-	-	314.2	4.5
XII	14.5	0.7	90.2	2.8	-	-	104.7	1.5
CAR	9.8	0.4	5.4	0.2	8.7	0.6	23.9	0.3
PHIL.	2,161.0	99.6	3,272.2	100.0	1,466.6	99.4	6,899.8	100.0

Source: Bureau of Land Development, Department of Agrarian Reform and the Housing and Land Use Regulatory Board.

Of the total 6,925.4 ha covered by land use conversion requests, 1,794 ha (or 31 percent) have already been approved for conversion, 3,279 ha (or 47 percent) are still being processed, while 1,475 ha (or 21 percent) are covered by the Department of Justice (DOJ) ruling (on February 1990) which automatically exempts these lands from conversion decisions of DAR.

Majority of the conversion requests are conversions either for residential or for industrial purposes. Of the top 15 provinces with conversion requests, 46 percent is for residential purposes while 35 percent is for industrial use (Table 16). Much of the land use conversion have affected prime agricultural lands, majority of which have irrigated facilities (DA 1991).

The increasing rate of conversion applications has been bolstered partly because of the desire of landowners to circumvent CARL and partly due to the windfall gains generated from real estate speculation (Peñalba 1991). The fact that the country has no national land use policy which could serve as a framework for land use conversions coupled with the fact that the penalty clause (which at any rate is minimal), the enforcement mechanisms, and the real property tax are not fully operationalized, have enhanced further the conversion process.

**Leasehold Operations.** In croplands where land transfer has not taken place, tenurial arrangements were changed from share tenancy to leasehold contracts (Table 17). In 1990, about 28,726 ha of leasehold areas were under the operation land transfer (OLT) of PD 27 and the residual, 47,439 ha, or 60 percent, were tenanted lands under the scope of RA 6657.

The regulation in share tenancy has been premised on the inefficient and exploitable effect of this contract. It is interesting to note, however, that despite its legal prohibition, this tenurial arrangement persists in the countryside. Empirical studies on PD 27 reformed lands (e.g., Hayami 1990) have shown the resurgence of sub-tenancy contracts, wherein the land cultivation rights are pawned in exchange for credit and other support services. This usually entails a shift of cultivation rights from the tillers of the land to larger farmers and middlemen, moneylenders, and landlords. The latter, in turn, hired permanent laborers rather than workers on a tenancy basis because the latter practice is illegal. This, therefore, reduces the opportunities of landless workers to improve their welfare through a better working arrangement.

**Conclusion.** The employment of non-land transfer scheme as a substitute to land reform has been on an upward trend since its implementation in 1987. In terms of hectareage, the area of non-land transfer is close to a fifth of the total reformed area for the years from 1987 to 1990. The significance of this figure is that unless the government decides on whether or not the appropriate landownership structure should be based on small- or large-sized farms, the reform, if the trend continues, will hardly result to any restructuring of the landownership pattern. It will also have grave implications on the efficient use of this scarce resource.

Table 16  
Extent of Legal Land Use Conversions By Province  
(as of March 1991)

PROVINCE	APPROVED			COVERED UNDER DOJ OPINION			APPLICATIONS BEING PROCESSED			TOTAL		
	No.	Res.	% Ind.	No.	Res.	% Ind.	No.	Res.	% Ind.	No.	Res.	% Ind.
Laguna	378.4	25.2	64.8	676.1	NS	98.9	501.8	7.8	87.8	1556.3	134.4	1354.5
Cavite	384.7	37.1	49.5	416.1	24.7	70.3	784.2	39.6	15.5	1585.0	555.8	604.3
Rizal	81.9	89.6	8.4	38.2	89.5	NS	503.0	100.0	NS	623.1	610.6	15.4
Batangas	99.3	36.6	48.8	NS	NS	NS	157.7	48.2	5.4	262.4	112.3	57.0
Quezon	43.0	90.0	NS	NS	NS	NS	75.6	16.5	99.2	118.6	51.6	7.5
Pampanga	153.6	58.1	13.9	76.0	100.0	NS	247.1	96.1	3.9	476.7	402.7	31.0
Nueva Ecija	94.6	97.9	NS	NS	NS	NS	39.4	NS	NS	134.0	92.6	NS
Bulacan	12.3	25.2	NS	39.9	100.0	NS	86.5	14.3	NS	138.7	55.4	NS
Leyte	2.0	NS	45	NS	NS	NS	152.5	12.2	10.1	154.5	18.6	16.3
Cebu	17.7	13.0	NS	NS	NS	NS	74.8	49.2	NS	92.5	39.1	NS
Aklan	NS	NS	NS	NS	NS	NS	80.1	NS	NS	80.1	NS	NS
Negros Occidental	156.7	100.0	NS	202.2	95.2	NS	9.2	NS	NS	368.1	348.9	NS
South Cotabato	38.2	84.3	2.4	NS	NS	NS	148.0	100.0	NS	186.2	180.2	6.0
Cotabato	NS	NS	NS	NS	NS	NS	47.8	100.0	NS	47.8	47.8	NS
Lanao del Norte	3.2	100.0	NS	NS	NS	NS	43.0	100.0	NS	46.2	46.2	NS
<b>TOTAL</b>	<b>146.6</b>	<b>766.3</b>	<b>519.4</b>	<b>1449.1</b>	<b>445.2</b>	<b>961.2</b>	<b>2950.7</b>	<b>1485.0</b>	<b>602.9</b>	<b>5865.4</b>	<b>2596.5</b>	<b>2083.5</b>

Source: Bureau of Land Development, DAR.

DOJ : Department of Justice  
Res. : Residential Use  
Ind. : Industrial Use  
NS : not significant

**Table 17**  
**Accomplishment on Leasehold Arrangements Under Operation Land Transfer and RA 6657**  
**by Region, 1987-1990.**

Region	OLT				RA 6657				TOTAL			
	Area	% of Total	FBs	Total	Area	% of Total	FBs	Total	Area	% of Total	FBs	Total
I	4,332	15.08	7,747	31.76	0	0	0	0	4,332	6.00	7,747	17.97
II	788	2.74	544	2.23	985	2.27	1,004	5.36	1,773	2.46	1,548	3.59
III	6,719	23.39	3,998	16.19	1,907	4.39	1,033	5.52	8,626	11.95	4,981	11.55
IV	2,386	8.31	1,520	6.23	619	1.42	413	2.21	3,005	4.16	1,933	4.48
V	12	0.04	14	0.06	12	0.03	2	0.01	24	0.03	16	0.04
VI	5,207	18.13	2,833	11.62	1,411	3.25	680	3.63	6,618	9.17	3,513	8.15
VII	1,397	4.86	3,005	12.32	217	0.49	155	0.83	1,614	2.24	3,160	7.33
VIII	1,141	3.97	741	3.04	3,465	7.98	1,759	9.39	4,606	6.38	2,500	5.79
IX	5,741	19.98	2,826	11.59	2,487	5.72	828	4.42	8,228	11.40	3,654	8.48
X	0	0	0	0	12,662	29.15	6,607	35.29	12,662	17.55	6,607	15.33
XI	0	0	0	0	19,201	44.20	6,022	32.17	19,201	26.61	6,002	13.97
XII	444	1.54	267	1.09	453	1.04	179	0.96	897	1.24	446	1.03
CAR	559	1.94	944	3.87	20	0.05	38	0.20	579	0.80	982	2.28
PHIL.	28,726	100.00	24,389	100.00	43,439	100.00	18,720	100.00	72,165	100.00	43,109	100.00

Source: DAR 1990 Accomplishment Report.

RA 6657 = the Comprehensive Agrarian Reform Law (CARL)

OLT = Operation Land Transfer

FBs = Farmer-beneficiaries

### *Provision and Delivery of Support Services*

Estimates of physical and financial performance of CARL implementing agencies as computed by the PARC Secretariat for its meeting with foreign donors in mid-1991, reveal a lackluster accomplishment (Table 18). In terms of physical performance, DTT's management and entrepreneurial training for landowners registered the highest performance at 96 percent while DOLE's extension service to plantation workers and farmworkers exhibited the lowest accomplishment at 40 percent. Land Bank's financial disbursement, comprising mainly of landowner's compensation, provision of production loans, and collection of transfer amortizations, showed a record high of 127 percent while the Land Registration Authority (LRA) in terms of its land titling activities was a poor low of 34 percent.

Noticeable in the accomplishment rating is the substandard performance of DAR and agencies directly assisting in the land acquisition and distribution aspect, namely, DENR and LRA. DAR's fund utilization for this particular activity (supposedly, the banner program of this department) as a proportion of its total disbursement has declined from 52 percent in 1987 to 13 percent in 1990 (Table 19). Surprisingly, more spending in land acquisition and distribution was done in 1987, when CARL was not yet a law, than in the succeeding years when CARL was supposedly in full swing.

Utilization of the Agrarian Reform Fund, the major fund sources for this program, has also favored heavily the funding for the provision of support services to agrarian reform beneficiaries than for the land reform component (Table 20). While there is no doubt that a larger financial proportion is required for support services and infrastructural development, the initial phase of this program depends on the pace and extent of land acquisition and distribution. It is thus cost- and time-efficient if DAR focuses its resources on the land reform component and re-assign the task of coordinating and funding the support services and infrastructural component to PARC. By diffusing its resources to these two large components, DAR has, in effect, sacrificed the main objective of the reform measure and, that is, to equalize the landownership structure through land distribution.

The estimates of financial performance recorded in Table 22 are verified in the next table where a summary of PARC-approved budget, advice of allotment (A/A) releases and disbursements by CARP implementing agencies for the years from 1987 to 1990 is presented. With some slight deviations, this table, as in the previous one, highlights the large amount allocated for support services vis-a-vis land acquisition and distribution. The varied disbursement performance of the various agencies from a low of 10 percent to a high of 164 percent, reflect in large part the degree of importance accorded by these agencies to CARP. More importantly, it illustrates the need for PARC as the coordinating agency, to identify the support services which should be prioritized and funded by the agrarian reform fund. It is ironic that while agrarian reform is the centerpiece program of the government, an additional fund on top of the budget appropriation for the different agencies concerned, has to be earmarked specifically for the provision of support services of this program and not as an integral component factored in the agencies' appropriations.

Table 18  
Physical vs. Financial Performance  
of CARL Implementing Agencies  
(As Per Work and Financial Plan)

Agency	Major Activities	Accomplishments	
		Physical (%)	Financial (%)
DAR	Undertakes land acquisition and distribution activities and orchestrates the delivery of support services to farmer-beneficiaries.	58	61
DENR	Conducts final survey of private agricultural lands, cadastral survey for public A & D lands and parcellary survey of ISF areas.	43	60
DA	Provides technical assistance to farmer beneficiaries to facilitate their access to production inputs, marketing and post production facilities; and training on institutional and organizational development farming system.	47	65
LRA	Undertakes registration and titling of EPs/CLOAs/FPs through Registers of Deeds.	75	34
NIA	Undertakes construction, rehabilitation and improvement of irrigation projects.	51	76
LBP	Responsible for land valuation and compensation, handles the retailing of production loans, and collection of land transfer amortizations.		127

Table 18 (Continuation)

Agency	Major Activities	Accomplishments	
		Physical (%)	Financial (%)
DPWH	Undertakes the construction of infrastructure and facilities such as rural roads, multi-purpose pavement.	50	44
DTI	Provides training on management and entrepreneurship to landowners to assist them in channeling their resources to productive ventures and establish SCF/s/AIP for CARP beneficiaries.	96	59
DOLE	Provides extension services to plantation workers and assist in the formation of self-reliant organizations.	40	39
		58	63

Source: Presidential Agrarian Reform Committee (June 1991).



Table 19  
Funds Utilization of DAR By Activity  
1987 - 1990  
(in million pesos)

ACTIVITIES	1987		1988		1989		1990 a/	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Land Acquisition and Distribution Activities	127,198	51.9	275,515	21.4	295,942	9.7	159,779	12.6
1.1 EP/CLOA Generation/Distribution	24,423	10.0	17,368	1.3	7,925	0.3	28,599	2.3
1.2 Landowners' Compensation	83,160	33.9	253,790	19.7	184,370	6.0	113,040	8.9
1.3 Other Activities	19,615	8.0	4,357	0.3	103,646	3.4	18,140	1.4
2. Support Activities	117,861	48.1	1,011,801	78.6	2,429,205	79.5	1,012,460	79.8
2.1. Support to Farmer Beneficiaries	42,230	17.2	504,599	39.2	1,267,845	41.5	498,490	39.3
a. Extension	1,200	0.5	145,180	11.3	268,344	8.8	81,996	6.5
b. Credit	41,030	16.7	343,450	26.7	530,280	17.4	171,840	13.5
c. Infrastructure			15,969	1.2	469,221	15.4	244,654	19.3
2.2. Support to Agencies	75,631	30.9	507,202	39.4	1,161,360	38.0	513,970	40.5
a. Preliminary Activities	19,615	8.0	22,657	1.8	187,185	6.1	35,545	2.8
b. Institutional Strengthening	56,016	22.9	478,638	37.2	945,455	31.0	464,388	36.6
c. Research and Development			5,907	0.5	25,220	0.8	13,403	1.1
d. Data Base Management					3,500		634	0.0
Sub-total	245,059	100.0	1,287,316	100.0	2,725,147	89.2	1,172,239	92.4
RPEP					272,805	8.9	96,759	7.6
NFA					56,423	1.8		
Grand Total a/	245,059	100.0	1,287,316	100.0	3,054,375	100.0	1,268,998	100.0
(1) Includes RPEP and NFA								

a/ to be verified

Source: DAR accomplishment reports

EP - emancipation patents  
CLOA - certificate of land ownership award  
RPEP - rice productivity enforcement program  
NFA - National Food Authority

Table 20  
Actual Agrarian Reform Fund Utilization, 1987-1990  
(in billion pesos)

Activities	Amount	Percent
Land Acquisition and Distribution (LAD)	1.734	18.5
Landowners compensation	0.912	
Other LAD activities	0.822	
Support Services	7.641	81.5
TOTAL	9.375	100.0

Source: Presidential Agrarian Reform Committee (1991)

Table 21  
Projected vs. Actual Remittances  
(For the period 1987-1990, in billion pesos)

Agency	(a) Projected	(b) Actual	(b) ÷ (a) x 100 Performance
APT	P19.700	P13.809	70.1
PCGG	13.500	2.481	18.4
Total	P33.20	P16.290	49.1

Source: Presidential Agrarian Reform Council (1991).

Table 22

Summary of PARC-Approved Budget, Advice of Allotment (A/A)  
Release and Disbursements, 1987-1990  
(in thousand pesos)

Agency	PARC approved budget	Cumulative Total 1987-Dec. 31, 1990			
		Releases per A/A		Disbursements	
		Amount	% of budget	Amount	% of A/A
LBP	12,841,528	3,281,744	25.56	5369590	0.00
LVO a/	130,560	45,259	34.67	0	0.00
DAR	5,011,049	3,224,042	64.34	1,919,917	59.55
SPO a/	1,300,000	12,662	0.97	0	0.00
DA	1,552,120	1,053,179	67.85	611,867	58.10
DENR	1,861,290	859,585	46.18	257,041	29.90
LRA	136,636	60,746	44.46	24,836	40.88
DPWH	1,660,891	879,740	52.97	486,954	55.35
DTI	352,300	228,213	64.78	89,627	39.27
DOLE	4,166	2,827	67.86	1,605	56.77
NIA	557,700	482,661	86.54	288,913	59.86
Sub-total	25,408,240	10,130,658	39.87	3,680,760	36.33
DA-RPEP	510,000	507,350	99.48	122,215	24.09
DA-NFA	470,000	315,192	67.06	32,072	10.18
Total	26,388,240	10,953,200	41.51	9,204,637	84.04

a/ LVO - Land Valuation Office/ SPO - Special Project Office  
b/ Total amount includes charges against LBP's Contribution and Other Income.

Source: Bulatao (1991).

PARC : Presidential Agrarian Reform Committee  
LBP : Land Bank of the Philippines  
DAR : Department of Agrarian Reform  
SPO : Special Projects Office  
DA : Department of Agriculture  
DENR : Department of Environment and Natural Resources  
LRA : Land Registration Authority  
DPWH : Department of Public Works and Highways  
DTI : Department of Trade and Industry  
DOLE : Department of Labor and Employment  
DA-RPEP : Department of Agriculture - Rice Productivity Enhancement Program  
DA-NFA : Department of Agriculture - National Food Authority

### *Financial Status of CARL*

The major source of CARP financing is the Agrarian Reform Fund (ARF), a special allocation created by Proclamation No. 131 in 1987 amounting to P50 billion. Appropriations for the ARF are generated from the following: (a) proceeds from the sales of the Asset Privatization Trust (APT); (b) earnings of the Presidential Commission on Good Government (PCGG); (c) proceeds from the disposition of government properties in foreign countries, and (d) official foreign aid grants and concessional financing. Since item (d) can be used only for the provision and delivery of support services and rural infrastructure and since item (c) sources are not stable, the large portion of ARF, therefore, relied mainly on APT and PCGG funds.

However, the track record performance of these two agencies in terms of remittance generation has been very low (Table 21). From 1987 to 1990, the projected remittances were P33.2 billion, broken down as follows: P19.7 billion from the APT and the residual, P13.5 billion, from the PCGG. The actual remittance for this period was slightly less than half of the projected estimate, or P16.29 billion. Of this total, 85 percent was raised by the APT and only 15 percent came from the PCGG. The ratio of actual to projected remittance for the APT was 70 percent, whereas for the PCGG, it was at a dismally low figure of 18 percent.

For the 10-year time frame of CARP, it is estimated that the expected cash outflows will amount to P37 billion (Bautista and Lajom 1991). This means a high deficit of P146.7 billion. A slightly large amount than the deficit (or P149.6 B) will be required for the CARP implementation between 1993 and 1997. For the period from 1988 until 1992, the amount required is estimated at P33.5 billion. For 1991, the projected remittances from the APT and PCGG is only P4.3 billion (PARC 1991). With the PCGG and APT previous funds of P16.3 billion and P0.7 billion from foreign sources (i.e., USAID), a financial gap amounting to P12.2 billion still remains.

Bautista and Lajom (1991) contend that the resource base for CARP implementation can be increased substantially, by either enhancing the financial base or improving the efficiency of the present implementation system. Under the former option, the possible venues are: (a) increasing LBP income generating activities from agrarian operations, i.e., farmers' amortizations and interest earnings from loans extended to the beneficiaries; (b) generating foreign funds, either from official development assistance and/or soft loans, to financing the support services and infrastructure requirements of the programs; (c) rationalizing budgetary allocations such that more funds are appropriated for this program; and (d) implementing tax reforms and enhancing tax collection.

On the second mechanism, the government can improve the efficiency levels of the present implementation system through the following: (a) diverting the present huge expenditures on institutional strengthening activities (e.g., landowner training) and research and development and data base development to land acquisition and distribution, the cornerstone of the program; (b) devising innovative schemes that can shorten the land transfer procedure and improve the land valuation; (c) identifying and resolving the bottlenecks in the programming and allocation of funds among CARP implementing

agencies; and (d) streamlining the DAR bureaucracy. Bulatao (1991) adds another recommendation: involve NGOs and POs in land acquisition and distribution as well as in the identification and speedy delivery of appropriate support services and infrastructure. By decentralizing major CARP implementation processes in these organizations, DAR can ingenuously reduce its expenditure while simultaneously institutionalizing a joint responsibility system in the implementation of this program.

### *Major Problems in CARP Implementation*

**Land Use Conversion and Need for a National Land Use Policy.** In 1990, two departments battled over a 240-hectare agricultural land owned by a state-owned company. The Department of Agrarian Reform (DAR) argued that the land should not be converted into a non-agricultural activity and should first be covered by agrarian reform, enabling the tenants to decide on the fate of the land. The Department of Trade and Industry (DTI), on the other hand, wanted the land converted into an industrial estate arguing that such a conversion will generate employment and bring in foreign exchange earnings. Because of the absence of a national land use policy, the dispute was settled instead by employing legalistic and pedantic reasonings, both of which were devoid of any technical and economic logic.

The major lessons from this experience were: First, without a national land use policy that will serve as a framework for the employment and management of this resource, two potential uses, i.e., agricultural and industrial, are projected as competing land uses and not as complementary economic activities. Second, comparisons done by the DTI of the benefits generated from agricultural and non-agricultural activities are lopsided in presentation: meaning, that a non-agricultural project is pictured in terms of its potential and highest-best use while the agricultural project is described in terms of its actual, and not potential and highest-best use. Such lopsided comparisons presume that agricultural activity is backward and non-progressive and for industrialization to be hastened, it merely requires the replacement of agricultural with industrial activity. And third, the real beneficiary from this dispute was the state-owned corporation which gained financially from the higher land leases of the industrialist.

Ideally, the establishment of competitive land markets can serve as the regulatory mechanism for controlling different land uses. However, under a property right regime wherein landownership pattern is highly skewed, land markets will aggravate inequality and allocate scarce land inefficiently. In the Philippines, for example, land markets exist only between landowners and rich prospective buyers. Landowners, the major suppliers of land, actually face two types of potential buyers: one, the many landless tenants and farmworkers whose desire to own land is high but whose purchasing capacity is low; and two, the few real estate developers, agribusiness entities and industrialists whose purchasing power, political clout and desire to own land are high. With limited government enforcement of agrarian reform, landowners evade this measure and profit in the process by selling their land to the highest bidders. The end-result has been numerous conversions particularly of prime agricultural lands, higher inequality, and most likely, adverse effects to future food production.

A national land use policy can provide the framework and ground rules for the creation of an efficient and equity-sensitive land market. Likewise, if properly formulated, it can ensure a smooth structural transformation from an agricultural to an industrial economy.

It is ironic, however, that this country wherein more than half of its population depend, either directly or indirectly, on land as a prime source of income, does not have a national land use policy. The 1987 Philippine Constitution recognizes the need for the State to regulate "the acquisition, ownership, use and disposition of property and its increments," but so far, no legislation has been formulated toward substantiating this role. Apart from RA 6657 which regulates farmland ownership, a combination of conflicting departmental and local government directives has been issued and enforced resulting in competing/conflicting land uses. The choice of what land use will ultimately be undertaken has often been influenced by the personal financial gains of the property owners and/or by prospective real estate developers, or by the strength of bargaining leverage mustered by government departments and local governments in the pursuit of their respective objectives. Land use decision at present does not reflect the extent of land scarcity nor does it take into account (a) the physiographic and agronomic features of this limited resource; (b) the environmental impact of the conversion on the ecosystem in the area; (c) the social losses accruing to the communities effected by the land use conversions; (d) the social losses that will be borne by future generations; and (e) the implications of these changes for ensuring sustainable structural transformation from an agricultural to an industrial economy.

To rationalize land use conversion, there is a need to formulate a land use policy. The implementation of agrarian reform is an integral aspect of a national land use policy. In land-scarce and labor-abundant economies, large-sized farms are not efficient modes of productive organizations since the scarce resource (i.e., land) is not used intensively. Small-sized farms, in contrast, are much more productive as land is cultivated more intensively and these farms employ much more labor. While it is true that the net income generated by small-sized farms is much smaller than the net earnings of plantation farms, the reason for this discrepancy is not productivity differentials but largely the lack of access by small farms to vital support services (e.g., credit) and infrastructure (e.g., irrigation). In brief, agrarian reform, a rational land use policy for its objective of homogenizing the mode of productive organization in the countryside, reflects the scarcity of agricultural land.

**Turtle-Paced Land Acquisition and Distribution.** In a study conducted by the IPC (1991) on land acquisition and distribution, it was observed that for voluntary offer to sell (VOS) type of agricultural lands, the process from land acquisition to distribution would take normally from 12 to 24 months. The key bottlenecks in the process were (a) the many documents that have to be processed and the many offices involved in the process; (b) the low land compensation when the land valuation formula was used; (c) the lack of knowledge by both the landowners and the prospective beneficiaries on the actual process; (d) the dependence on DAR and LBP as main conduits of the process; and (e) the lack of DENR surveyors to do the survey.

This study noted that land acquisition and distribution could be facilitated if certain measures were undertaken. First, the process can be streamlined by simplifying the documentation requirements and reducing the number of government offices involved. Second, the land valuation formula, despite the recent revision, can still be improved. The objective should be towards designing a formula that is (a) simple for the fieldmen to operationalize, and (b) transparent, so that rent-seeking activities by government employees can be minimized. In a separate work (Adriano 1991), it was suggested that the formula recommended by Judge Santiago, a landowner, be applied instead. Not only is it simple and straightforward but it was also recommended and approved by the landlord bloc; this can immensely facilitate the valuation of landowners' compensation. Nevertheless, Santiago's formula, while it ensures higher value than the government's formula still results to lower land values as the implicit percentage used is lower than the 25 percent leasehold rental mandated in CARL.

Third, landowners and prospective beneficiaries should be given sufficient information on the process involved. An experimental case involving an NGO may be useful to replicate in other areas (TRIPARRD). In this case, the NGO, with the knowledge and support of national and local-level DAR offices, served as the broker of the prospective beneficiaries by facilitating the land acquisition and distribution process. With the NGO's assistance, and financed by a foreign donor, the time period for the process was reduced to six months. Crucial to the process was the hiring of private surveyors to perform the land surveying and documentation aspects.

And, fourth, alternative land transactions should be developed. Like in the PARCODE, direct sale between the landowners and the beneficiaries could be experimented, so long as the transaction is closely supervised by NGOs and/or the government.

The above discussion only highlights the need to prioritize and hasten land acquisition and distribution as this activity is the backbone of the agrarian reform program. Innovative mechanisms should be initiated that establish a joint-responsibility to the implementation of this activity between NGOs and POs, on one hand, and the government sector on the other. Likewise, as cited above, CARP financing should be focused in the future on the accomplishment of the land reform component. Identification of priority support services and infrastructural requirements should be done in consultation with the POs and NGOs so as not to diffuse CARP disbursements in diverse cost items, most of which may not have significant positive effects on ensuring small-sized farm efficiency and access to productive resources. Lastly, there is a need to pressure the government to prioritize land reforms and discourage non-land transfer schemes. The latter will not bring about equity and efficiency in the countryside.

### *Conclusion*

The key features of the CARP implementation are as follows: *First*, the pace of the land reform component is slow and mostly concentrated in the implementation of traditional land reform programs, namely, PD 27 and RA 6389. *Second*, there has been an upward trend in the non-land transfer component; taken together, the hectareage

covered by at least the three options (corporate stock distribution, deferment, and land use conversion) is about 229,701 ha, or roughly 20 percent of the total reformed area for the years from 1987 to 1990. *Third*, leasehold arrangements are pursued in tenanted farms pending the latter's transformation into owner-cultivatorship. The preference for land contracts of owner-cultivatorship, leasehold, and direct wage system may not be efficient considering the recent findings that in the PD 27 reformed areas, there is a reversion to sub-tenancy arrangements. *Fourth*, the provision and delivery of support services and rural infrastructure garnered more funds than the land acquisition and distribution components. In both components of agrarian reform, however, the performance of CARP implementing agencies measured in terms of physical and financial accomplishments has been far from satisfactory. *Fifth*, under the present pattern of expenditure, there is and will be a problem of financing CARP implementation. At present, the problem may be illusory considering (a) the low and varied disbursement patterns exhibited by the CARP implementing agencies, and (b) the inefficiencies in the present implementing system. In the future, however, the financial gap is projected to be large but may not be insurmountable considering the available venues for increasing the financial resource base of CARP. *Sixth*, measures for improving and hastening the land acquisition and distribution process should focus on reducing the time frame of the process, simplifying the documents, and instituting a joint-responsibility system with the NGOs and POs. *Lastly*, the indiscriminate and rapid land use conversion cases highlight, on one hand, the urgent need for a national land use policy and policy measures that will discourage conversion and, on the other, the need to clarify, at least in the mind of the government, the role of agrarian reform in the context of agricultural development and industrialization.

The issue of the role of agrarian reform in the rural development strategy is both an economic and political question. It is economic in the sense that this reform measure specifies a particular mode of productive organizations, i.e., a combination of plantation and small-sized farms (refer to section 2). As to whether or not this proposed landownership structure is the most efficient for the land-scarce and labor-abundant economy is an empirical question. Specifically, (a) are small-sized farms as productive as large-sized farms?; (b) are there economies of scale in farm production?; and (c) will agrarian reform increase the domestic market base and, in turn, fuel rural-based industrialization?

The role of agrarian reform in the overall development strategy is equally a political question. According to Balisacan (1990), under the present political economy configuration of the country, the nature and degree of CARP implementation are in fact optimal. But optimal from whose point of view? By examining the political and economic gains of the different rural classes who will be affected by the reform, one will note that the proposed agrarian structure of CARL is beneficial from the vantage point of the propertied (in particular, the agribusiness owners) and the rural middle class; the major losers are mainly the landless rural workers, who comprise the majority of the rural populace and who form the bulk of the rural poor.



While the proposed agrarian structure of CARL may be politically "efficient" at present, the crucial question, however, remains: will this type of "efficient" mode ensure the country's development? What type of development path will ensue if this mode is pursued?

Answers to these questions will be alluded to in the next section where the experiences of some countries which implemented agrarian reform are discussed.

## **V. AGRARIAN REFORM IMPLEMENTATION: A CROSS-COUNTRY COMPARISON AND ASSESSMENT**

This section reviews the agrarian reform literature of several countries which have successfully implemented this policy measure but which produced varying impacts on the development of their respective countrysite. The purpose of the review is partly to draw the similarities and contrasting features of these country experiences with the Philippine experience; and partly, to draw the key lessons from these cross-country comparisons and project their implications on the implementation of the country's agrarian reform program.

There are two sets of country cases which were examined: (a) the successful Asian land reform programs of Japan, Taiwan, South Korea, and China; and (b) the land reform programs of Peru and Chile. For the first country set, Japan, Taiwan and South Korea implemented a land reform program using private property rights as the basic premise while China pursued land reform following a socialist perspective. In the second countrysite, land reform was implemented under a military regime whose political influence was counterbalanced by powerful peasant/farmworker bloc. These country experiences are interesting from the vantage point of the Philippines because as Hayami, Quisumbing and Adriano (1990) contend, the present Philippine agrarian structure is a combination of the Asian (i.e., predominance of small-sized farms) and the Latin American (i.e., prevalence of *hacienda* and agribusiness plantation) modes. For our discussion of these country cases, the focus will be on the land reform component of this redistributive measure, i.e., the land acquisition and distribution aspects.

### *Salient Features of the Land Reform Components*

**Asian Experience.** Table 23 enumerates the salient features of the land reform programs of the various countries. The land-to-the-tiller programs in the Asian countries were implemented immediately after the war and were accomplished in a short period of time. The objective, even in the case of China at that time, was to establish small-sized privately-owned peasant farms. Farm size limits ranged between one and six ha with owner-cultivatorship as the dominant land contract arrangement. Except for China which was essentially confiscatory, Taiwan, Japan and South Korea compensated the landowners based on annual yield net of the production costs. In turn, the beneficiaries paid for the lands; in Taiwan, land was valued at its acquisition cost, while in Japan, valuation was highly subsidized.

Table 23  
Salient Features of Land Reform Programs By Country

	Taiwan	Japan	South Korea	China	Peru	Chile
1. Duration	1949-1954	1946-1949	1948-1950	1949-1958	1964-1979	1962-1973
2. Retention limit (ha)	1-3 ha paddy land; 2-6 ha dry land	1 ha to resident landlords of Hokkaido and 3 ha for rest	3 hectares	1949-1952: small private-owned farms 1952-1978: collectivization post-1978: private control of lands by small peasants	150-Coast 15-55-Sierra	80 ha
3. Procedure for land reform	1949-1950: rent reduction to 37.5%; land reclassification; 1950-53 sale of public land of 180,000 ha; 1953-1954: land-to-the-tiller of 140,000-154,000 ha	1938: protection of tenancy rights to 13% of yield; 1946-1949: compulsory acquisition and distribution	1946-1950: land-to-the-tiller on Japanese lands of 280,000 ha land rents at 1/3 of crop yield	1949-1952: small private-owned farms; 1952-1978: collectivization; after 1978: land use contracts to peasants	1964: public & private lands are for distribution; exempted areas: sugar plantations, efficiently farmed estates and agro-industrial properties 1969: introduced maximum retention limits; expropriation of excess areas including agro-industrial projects - devt. of collectives	prior - 1962: covered govt. lands only; settlement legislative 1965-1973; expropriation - settlements govt estate 1973-1983; peasant holdings
4. Basis for a valuation	2.5 X annual yields	$PV-(PC+EP+LI)$ .0368	<u>10 X rental rate</u> land bond	- tax value, marketing value - based on self-assessed declaration reflected in 1968 tax return		
5. Mode of compensation of LD	70% in bonds and 30% stocks	Government bond payable over 30 yrs. with 3.2% annual interest		0; confiscatory		
6. Mode of payment by beneficiaries	20 equal installments payable to Land Bank in 10 years at land value and 4% interest	Subsidized loans cash payments in 30-yrs. installments with 3% annual interest			1st stage: 15-yr. mortgage. Free of interest 2nd stage: 5-yr. mortgage	

Japan, Taiwan and South Korea initiated their land reform programs with tenancy regulations. Leasehold arrangements were enforced with Japan stipulating the lowest lease rental at 13 percent and Taiwan and South Korea stipulating a one-third rent. In the case of the latter, tenancy regulations were implemented simultaneously with the expropriation of some 280,000 ha of land previously owned by Japanese nationals, the country's colonialists prior to the outbreak of World War II.

The land acquisition and distribution program of Japan began in 1946, a few years ahead of those of Taiwan and South Korea. Indeed, the latter two countries replicated the Japanese model when it became apparent that the latter's land reform was successfully implemented. The coverage of the three country programs was extensive (Table 24). In Japan, the estimated reformed area was around 2.0 million ha, or 40 percent of the country's cultivated area, and affecting some 4.3 million farm households, or 73 percent of the total agricultural households. The reformed area for Taiwan was 334,000 ha, or 38 percent of its cultivated area. Beneficiaries of the program numbered around 383,000, or about two-thirds of Taiwan's agricultural households at that time. In the case of South Korea, the reformed area was 1.1 million ha, or more than half of the country's cultivated area. This benefitted some 1.6 million households, more than three-fourths of the country's agricultural households.

China's brand of land reform was different from the experience of the previous countries. While China began its land reform program in 1949 with the establishment of small-sized peasant farms, by 1952, the government began reorganizing agriculture into collective farms. Under the first phase of its land reform program, about 47 million ha, or close to half of the country's total arable lands, were distributed to some 300 million farmers (which at that time comprised about half of China's population). In the collectivized agricultural phase which spans from 1952 to 1978, household farms were then grouped into agricultural production centers (APCs) which, in turn, were organized into people's communes. By the end of 1958, 26,000 communes were established, each comprising of about 25 to 30 APCs with a household membership of around 4,000 households (Dorner and Thiesenhausen 1990). Five years later, the number of communes tripled.

The highly centralized organizational structure hardly resulted in significant agricultural production so that China's leaders were forced to change the rural institution in 1978. By the mid-80s, the system of land use rights contracts was enforced enabling individual family households to directly control and manage the farms.

**Latin American Experience.** Prior to the reform period, both Peru's and Chile's agrarian structures were characterized by highly skewed land ownership patterns and a dual mode of productive organization, i.e., the *latifundia*, comprising of large *haciendas* or plantations and the *minifundia*, or smallholding types of farm production. In the early years of the 1960s, the governments of Peru and Chile introduced agrarian reform measures. In the latter, this measure was limited essentially to state-owned agricultural lands, while in Peru, expropriation of private lands did not touch the large sugar and cotton plantations.

**Table 24**  
**Extent and Actual Coverage of Land Distribution**

Country	As of Year	Extent of Culti- vation		Household Beneficiaries of Total	
		Area (Ha)	% of Total cultivated land	No.	% Agric'l HH
				(N)	
China	1950	47 M	< 50	50-60	over 50
Taiwan	1954	334 T	38	0.4	75.8
South Korea	1945	1.1 M			35
	1950	53		1.6	66
Japan	1949	3.2 M	40	4.3	73
Peru	1969	8.6		375 T	20-25
Chile	1973	9.96 M	40%	896 T	40

Sources: International Issues in Agrarian Reform: Past Experiences  
 Future Prospects.  
 J.D. Osorio (1989)  
 Dorner and Theisenhusen (1990)  
 H. Fuhr (1986)

Despite the limited coverage of these reform measures, these paved the way for a more redistributive land reform, targeting the large *latifundias* in the second half of the 1960s. The fusion of military-controlled government and a politicized peasantry/farmworkers in these two countries hastened the expropriation and demise of plantations and *haciendas*, which were dominated by the traditional landlord class. In Peru, the dominant landlord class was replaced by the state which, in turn, established large cooperative farms. Of the 8.6 ha which it expropriated between 1969 and 1979, more than half were transformed into cooperative farms, affecting some 168,000 peasants (Fuhr 1986). Only 18 percent of the adjudicated lands were controlled by peasant groups and independent peasant farms. Large-sized farms still dominated agricultural production; the difference was that these farms were controlled by the state and farm sizes were pegged between 150 and 300 ha. The inefficiencies in the cooperative farms coupled with the growing peasant movements in the country forced the government in the 1980s to decentralize and privatize the cooperative farms. In some highland areas where the peasant organizations were powerful, collective farms were abolished and were replaced by small and middle peasant-owned farms.

In the Chilean case, expropriation of the *latifundias*, initially targeting farms in excess of the 80-hectare limit, went into high gear between 1965 and 1973. During this period, about 9.9 million ha were expropriated benefitting some 896,000 peasants. The expropriated lands were organized into large estates euphemistically referred to as settlements. These productive organizations were managed by parastatal institutions which, in due time, will supposedly hand the lands to the peasant members for private ownership. Expropriation and reorganization in the countryside were accomplished swiftly that by 1978, only 5.6 percent of the cultivable lands exceeded the 80 ha farm size; 32 percent were between five and 20 ha; and 13 percent had farm sizes of 40 to 80 ha (Osorio 1989). Like in Peru, the political trade unions and peasant organizations pressured the government in the late 1970s to privatize the ownership of the settlements.

#### *Some Political and Economic Factors for Successful Land Reform Implementation*

**Asian Experience: Taiwan, Japan, and South Korea.** The literatures on land reform models generally regard the land reform programs of Taiwan, South Korea, and Japan as successful reform measures. Successful in this context is implicitly defined as a program that (a) has ensured a more egalitarian land ownership structure; and (b) has contributed in paving the structural transformation of the economy from an agricultural to an industrial economy.

In all the three country cases, the process of land acquisition and distribution was accomplished swiftly and decisively. Several factors, mostly political, facilitated the speedy implementation of this particularly difficult process (Table 25). First, the landlord class in these countries was immensely weakened by the effects of the war. Second, the peasants were highly organized especially in Taiwan and Japan. Third, US aid helped in financing this process. And fourth, records on landownership and land classification were available, facilitating the acquisition process. In the case of Japan, not only were these

**Table 25**  
**Political and Economic Factors Contributing to Successful Implementation of Land Reform**

=====		
	Political Factors	Economic Factors
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1. Taiwan	Minimal influence of Chinese landlords	Well-developed infrastructure in transport communication, market and irrigation systems
	Strong farmers' organizations	Literate population
	Good records on landownership and land classification	Farmers using modern inputs
	Financial assistance from US	Entrepreneurial skills among farmers
	Political threat of Mainland China	Small land size of country
		Japanese legacy of agricultural science and technology
2. South Korea	Appease rural discontentment and quell rebellion	Inherited Japanese land-saving agricultural technology
	Unpopularity of Japanese colonialism	Farmers using modern inputs
	US financial assistance	
	Korean landlords were weakened by Japanese occupation and Korean war	
	Tenants have some political experience	
3. Japan	Existence of land registration	Skilled farmers
	Well-organized administrative structure from national, prefectural and village levels; trained personnel	Landholdings are homogeneous; no hacienda
	Existence of agricultural coops	
	Land tax system	
=====		

records available; there existed efficient administrative structures from the national down to the local levels which played an instrumental role in the land reform component.

Equally important in the successful implementation of land reform was the fact that unlike in Latin America where landownership distribution was highly concentrated because of the prevalence of plantations, in Japan, Taiwan and South Korea, landownership structures were less skewed as these modes of productive organizations were non-existent in these countries.

Agricultural production was not adversely affected by the change in landownership structure as operational holdings prior to the reform were already organized in small-sized modes. Moreover, because of the farmers' access to vital productive inputs, technology and rural infrastructure (irrigation, transport, communication and electrical power) even prior to the reform, productivity after land reform was hardly affected. In the Taiwanese case, marked increases in yield were observed largely because of an increase in multi-cropping intensity (Yager 1988). The change in tenurial arrangement (from tenancy to owner- cultivatorship) in the post-reform period enabled the farmer-beneficiaries in these countries to capture the net income gains from their own-farm production (which in pre-reform years were shared with the landowner), thereby increasing in the process their purchasing power (see Rhee 1978 for South Korea and Kaneda 1980 for Japan).

#### **A. Taiwan and Japan**

Overall, the land reform programs in Taiwan, Japan, and South Korea focused mainly on the transfer of land titles from the landowner to the tenants with the view of bringing about a more egalitarian landownership structure (Kaneda 1980). The objective function that the land reform program played in the context of the country's development path was, however, different for Taiwan and Japan, on one hand, and for South Korea, on the other.

The formative stages of development in Taiwan and Japan were anchored on the broad-based growth of its rural sector (Oshima 1986). With a more egalitarian structure realized through the implementation of land reform, the benefits accruing from increases in agricultural production and rural income would naturally redound to a larger proportion of the rural populace. Increases in production and income were brought about largely through measures which (a) enhanced agricultural productivity per worker and per unit of land within the framework of small-scale farming, and (b) which expanded the non-farm employment opportunities of the rural sector (Kada 1986; Ho 1986).

The mechanisms by which objectives (a) and (b) were achieved by the two countries were similar. Specifically, increases in output and factor productivity were achieved through a wide diffusion of land-saving and labor-using technologies which enhanced multi-cropping intensity and reduced the difficulties of monsoon agriculture. Further, the provision of irrigation facilities, extension services, education and credit was likewise prioritized. Access to these inputs was facilitated largely through the farmers' organizations and cooperatives.

Off-farm employment was enhanced from two fronts: First, the governments of Taiwan and Japan provided incentives for the relocation of industries in the rural sector (Shand 1986; Ho 1986). This was done largely through the construction of rural roads and communication facilities as well as the provision of cheap and efficient transport system. Not only did these infrastructures link the urban with the rural sector; these also enhanced the traffic of agricultural and industrial products (Oshima 1986). Another important facility which encouraged rural industrialization was the provision of rural electric power (Ho 1986).

The second factor that encouraged off-farm employment was the rise in rural incomes. This increased the domestic demand for (a) a wide range of consumer commodities, and (b) agro-related downstream and upstream activities, both of which were provided by off-farm sector. In turn, the agricultural sector benefitted from the wider employment opportunities accorded by this sector. The gains from remunerative employment were especially helpful in augmenting the income of owners with very small farms and landless rural workers.

The mutually reinforcing interaction of off-farm employment and a robust and egalitarian agriculture provided the engine for their smooth transition to industrial economies. The rapid rise in off-farm employment contributed in reducing the income disparities between agricultural and non-agricultural households. With the sustained increases in rural incomes through efficient use of labor, surplus labor was released to industry.

The continuous interaction of agriculture, off-farm rural and urban industrial sectors in Japan and Taiwan also encouraged the former sector to adapt to these changes as more rural labor is absorbed by the latter two sectors. Labor-saving technologies, i.e., machinery, were employed in the farms and land contract arrangements such as contract growing were used. Tenancy contracts are likewise on the upsurge in Japan and clamor in the countryside for land consolidation has been increasing (Dorner and Thiesenhusen 1990).

In brief, the agriculture-led strategy adopted by Taiwan and Japan in the 1950s has evolved over time. What is essential to emphasize, however, is that the pre-condition for a dynamic interaction of the agricultural and off-farm sector was the establishment of a more egalitarian agrarian structure. In these two countries, land reform played a pivotal role in the initial years of the agri-led strategy.

## **B. South Korea**

In contrast to the agri-led strategy of Japan and Taiwan, South Korea, after reforming the landownership structure, immediately proceeded to an industrialization strategy. It prioritized the production of export-led light manufacturing as well as heavy industries and neglected the development of the agricultural sector. Development was highly concentrated in two centers, Seoul and Pusan, and the construction of infrastructure was centralized in these two growth centers. While Taiwan and Japan geographically dispersed the industries in the countryside, thereby limiting the migration of rural workers



to the urban centers, South Korea, through its urban-based industrial development, attracted labor surplus from the countryside to the cities which, in the process, created problems of overcrowding in the urban centers.

By the 1970s, the farm incomes of South Korea lagged, on the average, by as much as 30 percent from those of Japan and Taiwan. Korean growth was at least a decade away from the Japanese and the potentials for further growth were being hampered by the sluggish performance of its agricultural sector (Park 1986). While an egalitarian agrarian structure was established in the countryside, rural incomes could not increase substantially as incentives for enhancing its production were severely constrained. Off-farm employment was also discouraged partly because of the poor infrastructural facilities and partly because of sustained increases in rural incomes. By the 1980s, South Korea has put more attention toward spurring growth in the rural sector and relocating industries in the countryside (Park 1986).

**China, Peru and Chile: Failure of Collectives.** While China, Peru and Chile succeeded in transforming the agrarian structure through the use of land reform, the change was basically a shift of ownership from the landowners to the state without the accompanying land parcellization. The basic difference among the three country experiences was that in China, small-sized farms were agglomerated to form contiguous large-sized farms, managed and supervised by parastatal institutions. In the case of Peru and Chile, plantations exceeding the hectareage limits were expropriated and the farm sizes of expropriated lands were reduced to smaller sizes. Nevertheless, these farms were also organized into plantations and were operated by government-owned agencies.

The experiences of the three countries with this type of land reform were analogous. Income disparities between and among the collective farms was pronounced (Dorner and Thiesenhusen 1990; Fuhr 1986; Osorio 1989). Corruption among the parastatal agencies was rampant. And increases in agricultural production could not be sustained partly because of the limited quantity of and unequal access to productive resources and remunerative employment and partly due to the disincentives stemming from the non-control of the peasants on the lands that they are cultivating.

It was for these reasons that the governments of the three countries have opted in the 1980s to re-introduce the private property rights concept. In China, land use rights are contracted to the peasants on a long-term basis while in Peru and Chile, landownership rights are rapidly being privatized. In the latter two country cases, the role of a politicized peasantry and trade union movement was instrumental in bringing about this change of heart.

#### *Major Lessons from Cross-country Experiences on Agrarian Reform*

The land reform experiences of Taiwan, Japan, South Korea, China, Chile and Peru provide the country a perspective as well as the directions for successfully implementing this reform measure. Let us briefly discuss these key points.

*First*, if the Taiwanese, Japanese, and South Korean land reform models have to be replicated in the Philippines, the prior political and economic conditions for a successful

implementation of land reform, while acutely lacking in the Philippines, provide us important guideposts for the direction of changes. These are:

(1) Neutralizing the present strong landowner bloc, which would require the establishment of an equally strong countervailing force. Such a force has been building up in the country. It comprises of the cause-oriented non-governmental organizations (NGOs), people's organizations (POs), the academe, a progressive and non-traditional business sector, and the Church. What they need is a push to institutionalize the alliance and to increase the momentum of their formation as a strong countervailing force;

(2) While the country cannot rely on the US and, for that matter, other developed countries, for a large financial support, the assistance that they are providing at present in the area of support services and infrastructure development, is still a substantial amount. What the government needs to do is to prioritize the needs of the rural sector in terms of support services and infrastructure. In this regard, the assistance of the NGOs and the POs in identifying these requirements will be most instrumental.

(3) While the government has limited information on landownership and land classification, there are available technological hardware which can facilitate the generation especially of land classification data. Further, the NGOs and the POs can assist in the identification of the landowners; and

(4) The heterogeneous mode of productive organization and the multifarious rural stratification which characterize the country's agrarian structure make the agrarian reform measure extremely complicated and difficult to implement. Under this scenario, the government has no choice but to take a stand (a) of what mode of productive organization is efficient and will result in a more egalitarian landownership structure; and (b) which of the rural classes will have to be prioritized in order to promote this productive organization. If the Taiwanese, Japanese and South Korean experiences will serve as a guide, then the direction will lie toward small-sized farms and the beneficiaries will be mainly tenants, lessees, and a few landless workers.

*Second*, the implementation of land reform requires a strong political will. In all the country cases which were examined this was the condition for the implementation and completion of this measure. Moreover, these country experiences showed that it has to be accomplished swiftly; that the measure should be simple and transparent to minimize evasion and rent-seeking activities; that the agency tasked with enforcing it should focus mainly on the land acquisition and distribution component; and that other measures (like land tax) should accompany its implementation.

*Third*, land reform should be viewed as an integral component of an overall development strategy. In the Taiwanese and Japanese experience, homogenizing the landownership structure served as the initial phase and precondition for its transition to development. With an egalitarian agrarian structure ensured, an agri-led industrialization

strategy was pursued whereby measures were established which will increase agricultural production and raise rural incomes. The latter objective was ensured through the promotion of non-farm employment activities which served as the embryonic form of industrialization. In brief, agrarian reform, agricultural development, and industrialization were viewed not as competing or mutually exclusive approaches to development; rather, these were intricately related with agricultural and industrial development to ensure a mutually reinforcing process.

The South Korean experience illustrates the case of an export-oriented industrialization *cum* agrarian reform strategy under a market-oriented environment. While unprecedented growth was achieved, the lackluster performance of its agricultural sector functioned as a deadweight. It was apparent in this experience that land reform is not the end-all and be-all solution to the agrarian question.

In contrast, China, and to a certain extent, Peru and Chile, pursued a land reform strategy which dismantled the traditional landlord class but merely replaced it with the state. The end-result was not an egalitarian agrarian structure. A collective/cooperative farm estate is a facade for a plantation mode of productive organization and can serve as a disincentive structure to agricultural production because the peasants/farmworkers have no control or decision-making power over the land that they cultivate.

*Fourth*, it is not enough to homogenize land ownership structure. Measures toward increasing agricultural production and rural income should be pursued vigorously. The forms of government intervention employed by the Taiwanese and the Japanese are instructive. Let us highlight those which widened the opportunities for non-farm employment:

(1) The direction of infrastructural development in the countryside was in (a) roads and bridges which not only linked the urban and rural centers but also different rural areas; (b) system-wide transportation, with the end-view of providing the public cheap fares and efficient service; and (c) electric power.

(2) They emphasized the relocation of industries to the rural sector. The initial industries were agro-industrial types and those which provided consumer goods. Some industries adopted to the labor utilization pattern of monsoon agriculture (e.g. putting-out system); others ensured regular workload. Industrial estates and export processing zones may be established so long as they take into account the resource endowments of the communities and the participation of community residents in the planning and development of these centers.

*Lastly*, rural development is a dynamic process which necessitates reforms that are attuned to economic and political conditions. What is important is the development of rural institutions which are responsive and can adjust to these conditions. The most vital of these institutions are farmers' organizations.

## **VI. DEFINING SOME RESEARCH AGENDA ON AGRARIAN REFORM**

The previous sections provided a descriptive assessment of the Comprehensive Agrarian Reform Law (CARL) as well as a comparative analysis of the implementation of agrarian reform in several Asian and Latin American countries. As a result of this examination, several preliminary conclusions were arrived at which, in turn, can serve as guideposts for identifying the research issues that need to be addressed in order to understand the role of agrarian reform in the dynamics of the country's rural development. This section discusses the major research gaps, highlighting the questions whose answers can provide policymakers some indicators (a) for determining the form and pace of agrarian reform implementation appropriate for the country's development process; and (b) for measuring the importance of agrarian reform vis-a-vis other policy reforms in the country's transition phase to rural development.

### *Defining an Appropriate Conceptual Framework*

The neoclassical political economy framework for explaining the nature and pace of land reform implementation in the country was initially developed by Hayami, Quisumbing and Adriano (1990). Applying the marginalist concept, they argued that the marginal gains accruing to the politicians implementing land reform are inversely related to the redistributed land, measured in terms of income transfers to tenants and landless rural workers. This means that higher net revenues accrue to the political entrepreneurs if lower lands are transferred and vice versa. The slope of the downward-sloping marginal revenue curve becomes steeper the more powerful and organized the landlord bloc is and/or the more inefficient and corrupt are the government implementors.

In contrast, the marginal cost curve is upward sloping implying that higher per unit of redistributed land entails increasing costs measured in terms of numbers of votes lost from the land reform opposition bloc. The optimal redistributed land occurs at the intersection of the marginal revenue and marginal cost curves.

The authors hypothesize that in the Philippines which is characterized by a powerful landlord bloc, an inefficient government bureaucracy, of which a large number of the implementors are rent-seekers, a non-existent landownership record, and a relatively unorganized peasant and landless rural workers' group - the marginal gains accruing to political entrepreneurs from enforcing land reform are low while the marginal costs for implementing it are high. The net result is a low redistributed land coverage.

The model can likewise explain why in Japan, Taiwan, and South Korea, the coverage of land reform was large. Specifically, the economic, political and social conditions existing in these countries at that time (refer to Section 5) ensured a much higher marginal revenue curve and a much lower marginal cost curve.

The framework is also able to show why the land reform model of these three countries (i.e., tenancy reform using a highly interventionist and regulatory approach)

cannot ensure similar successful results in the Philippines. In particular, the political economy configuration in the latter country is not identical to that in Japan, Taiwan, and South Korea so that the application of their land reform model has not homogenized landownership structure in the Philippines. Instead, its implementation contributed to a large degree, in the development of a more heterogeneous agrarian structure (Quisumbing and Adriano 1988).

Using the conclusions of this model, Hayami, Quisumbing and Adriano (1990) proposed an alternative land reform paradigm that takes into account the political, economic and social landscape of the Philippines. The alternative paradigm which relies on less government intervention and encourages a more market-oriented approach has four components: (a) a ceiling on land owned, irrespective of crops grown and tenurial status; (b) progressive land tax; (c) deregulation of land contracts; and (d) a progressive rent on public lands. It also recommends a long transition phase, sufficient enough to encourage the development of institutional arrangements that will promote small-sized farms and will reduce the adjustment costs.

Another author who applied the neoclassical political economy framework was Balisacan (1990b), explaining why the past redistributive measures implemented in the country were optimal considering the political configuration. However, unlike the previous authors, Balisacan (1990a) contended that because of the highly unconducive political and economic conditions existing in the country at the present time, a comprehensive agrarian reform, while effective in bringing about equity, cannot be successfully implemented. Instead, he proposes that alternative policy measures especially those aimed at increasing rural-based employment and ensuring a rationalized macroeconomic trade regime may be more effective in attaining not only equity but also growth as well.

The basic difficulty with Balisacan's recommendations is that the problem of inefficient utilization of a very scarce resource, i.e., agricultural land, remains unresolved. While he does not totally set aside the implementation of land reform, the conclusion from his work implicitly suggests that an incomplete form of land reform will ensue as long as the unconducive political and economic environment exists. In turn, this inevitably would result in a more heterogeneous agrarian structure which may exacerbate the inefficient use of this resource and further increase inequality. Ostensibly, these may have adverse implications on rural development.

The above discussion highlights the fact that the employment of the neoclassical political economy framework has produced two policy perspectives. One approach presumes that land reform is still a viable and necessary policy measure in bringing about a more egalitarian rural economy. According to this approach, what is required is the formulation of an alternative land reform paradigm which takes into account the political and economic environment while simultaneously, laying out the foundation for changing the political market. The other approach doubts the feasibility of implementing a comprehensive land reform program and contends that its enforcement may be

dispensable considering that other policy measures can serve as substitutes for land reform.

The development of these two viewpoints on land reform arises from the static analysis of the framework. As Lipton (1991) correctly pointed out, the framework, while it is a powerful tool for explaining the nature and pace of land reform implemented in a particular political market, does not adequately incorporate the dynamic effects of changes arising from the reform. According to Lipton, the analytical content of the framework suffers from "a key omission: a government's political gains and losses from a reform depend not only on the numbers and powers of the landowner and beneficiaries, but also on the extent of consequential changes in output, income and government tax revenue, employment and patronage (p.2)".

To enrich the neoclassical political economy model, one has to include in the conceptual framework an explanation for the role of land reform in the dynamics of rural development. Adelman's (1984) and Oshima's (1986) works allude to this role by hypothesizing that land reform ensures a more egalitarian rural economy; complemented with production-oriented and employment-generating policies, these will increase rural incomes which in turn, will initiate rural industrialization.

As in the neoclassical political economy model, Adelman and Oshima use the experience of Japan and Taiwan to highlight the pivotal role of land reform in bringing about a more egalitarian economy. However, the approach developed by these authors failed to conceptualize the different political and economic environments existing between Japan and Taiwan, on one hand, and the less developed economies, on the other, so that the rural development path employed in the former two countries may not necessarily be applicable and will not be found to produce the same results in less developed economies. There is thus a need to redefine the conceptual framework of Adelman and Oshima, incorporating it within a neoclassical political economy model. A combination of these two frameworks will not only define the parameters of a feasible land reform but will also identify the policy measures which will complement land reform and ensure that the rural development path is tailored to the Philippine political and economic conditions. The appropriate mix of these two models clearly needs to be elaborated on.

The succeeding subsections discuss the research issues in the land and agrarian components of RA 6657, using the aforementioned proposed framework.

#### *Modes of Productive Organization*

**Is there a need to maintain plantation agriculture?** As illustrated in the previous discussions, CARL proposes a bi-modal agrarian structure, i.e., small-sized farms mainly in staple crop producing areas and large-sized farms for exportable cash crops. The latter modes of productive organization can be exempted from this policy measure through its non-land transfer schemes.

One premise for exempting agribusiness plantations is the presumption that economies of scale exist. There are four possible sources of scale economies, namely: (a)

central management; (b) employment of large-scale machinery and infrastructure; (c) the need for the close coordination of production, processing, and marketing especially of highly perishable commodities; and (d) the need for a uniform application of strict pest and disease control.

More systematic researches should verify the degree of importance of these factors in ensuring scale economies in plantation agriculture across cash crops and permanent tree crops as well as across regions. Also, can institutional arrangements (e.g., contract-farming with small farm entrepreneurs) and technological innovations (e.g., computerized delivery system *cum* on-farm railroad infrastructure) overcome these economies of scale advantage of large-sized farms? If there are organizational and technological innovations which will enable agribusiness enterprises to shift to small-sized farm production, what policy measures will influence these enterprises to employ the small-sized farm mode? Lastly, Hayami, Quisumbing and Adriano (1990) contend that there are no scale economies in farm production but may exist in the processing and marketing phases; a more in-depth research should be conducted to verify this finding.

The other premise for excluding agribusiness plantations from land reform is the positive contribution of these enterprises in the country's foreign exchange earnings; in addition, these economic units generate rural employment, pay higher wages, and provide infrastructure. The counter-argument is the growing social conflict between plantations and local communities, on one hand, and between plantation management and its labor force, on the other.

There is a need to empirically measure the social gains and costs of maintaining plantation agriculture in an economy with a growingly adverse man-land ratio. More specifically, a systematic mechanism for quantifying the net costs arising from the social conflicts should be developed. Likewise, alternative institutional arrangements should be analyzed which will encourage the continued operations of agribusiness enterprises under a small-sized farm operation.

Aside from the need to examine the viability of maintaining plantation agriculture, another problem area is in the administrative and political feasibility of enforcing land reform in this sector. First, how shall these types of lands be valued without ensuring a huge financial strain on the government, as well as encouraging political resistance? Second, what mechanisms will reduce the rent-seeking activities of government implementors? Third, how will the lands be subdivided among the farmworkers? Fourth, who shall be the appropriate beneficiaries; how will the non-beneficiaries who are farmworkers in the plantation be accommodated? Fifth, what institutional arrangements should be established that will reduce the disruption costs in farm production during the transition phase? Sixth, what shall be the appropriate farm sizes? And lastly, what mechanisms will minimize political resistance from the landowner bloc? For instance, for lands leased to agribusiness plantations, would a lease-back arrangement with new small-scale farmowners be a feasible mode of land contract? Would a progressive land rent ensure intensive exploitation of this resource?

**Distribution of Unused Public Land as Substitute for Land Redistribution.** Many landowners and plantation managers argue that instead of subdividing privately-owned lands which are presently being cultivated, the government should first distribute unused public lands. They argue that there are plenty of unused public lands especially in Mindanao which can be distributed to landless workers without creating political discontentment among the landlord bloc.

Whether or not there are still much unused public lands sufficiently large to solve the problem of landlessness is an empirical question. It would be interesting to document the existing data on public lands classified in terms of (a) lands leased for logging purposes, their area and corresponding lessees; (b) pasture leases; (c) lands leased to public and private corporation; and (d) lands with squatters. The land reform options for each public land classification should be explored. Specifically, a more empirical analysis of the economic and environmental implications of the Integrated Social Forestry Program should be conducted. What are the equity, efficiency and environmental considerations for transforming public owned lands leased as extensive cattle ranches into agroforestry programs? Will a progressive land rent discourage extensive use of lands; are these politically and administratively feasible to implement?

It is obvious that in the medium term, landless workers who will have access to public lands will require, among other things, credit, research and extension services, especially in agroforestry management and technology, and production infrastructure. How can the government tap agribusiness enterprises as well as non-governmental organizations to devise institutional arrangements for the provision and delivery of vital infrastructure and support services to the land reform beneficiaries?

**Peasant-Organized Cooperatives in Plantation Farms.** Another land reform component of RA 6657 is the transfer of the ownership and management of plantation farms to the farmworkers of these plantations who are encouraged under this law to organize into cooperatives. Cooperative farms are large-sized farms whose efficiency and equity implications have to be thoroughly examined. In particular, are cooperative-organized farms more efficient than plantation farms as well as small-sized farms? Will cooperative farms ensure a more egalitarian rural base or will it merely shift ownership from one group of large landowners to another set of landowners, i.e., the cooperatives? What lessons can we learn from the cooperative farms in Latin America?

From the administrative aspect, the major bottleneck will be the determination of cooperative members. Should it include supervisory levels or should its membership be limited to regular farmworkers? If casual farmworkers, the bulk of the plantation labor force, are excluded, what would be its implications on equity? How does one treat newly recruited farmworkers? Should rural workers employed in the processing activity be excluded? How about family members employed in the plantation; will all of them or only one of them serve as a cooperative member?



### *Institutional Arrangements*

**Should share tenancy be regulated?** The CARL prohibits the practice of share tenancy. However, many conceptual and empirical studies (e.g., Hayami and Otsuka 1988) have shown that share tenancy is equally efficient as leasehold and owner-cultivatorship; indeed, under imperfect market conditions and highly risky environments, share tenancy provides advantages over the other two labor contract arrangements.

The restriction on sharecropping should be re-examined in the context of providing more supply of agricultural ladder "rungs" to landless rural workers and of serving as a stop gap measure to the imperfect market and high risk environment. Other research areas which have to be undertaken to improve the welfare of share tenants are: (a) safeguards for security of tenant's tenure; and (b) mechanisms for broadening the tenant's access to productive resources such as water, credit, and research and extension service. An important research question pinpointed by Lipton (1991) is the possibility that while individual tenants may be equally efficient as owner-cultivators, a "village of tenants-plus-landlords may well be less entrepreneurial, or have less investment-oriented capital markets, than villages of owner- farmers."

**Contract-Farming Arrangement: An Alternative to Plantation Ownership.** The recent work of Hayami, Quisumbing and Adriano (1990) showed that contract farming arrangement may be a viable mode of operation for agribusiness corporations to maintain a large contiguous land without directly owning or leasing these tracts of land. The contract essentially requires small growers to produce and harvest the cash crop exclusively for their agribusiness partners. In return for an assured supply of the commodity, the agribusiness partner guarantees the grower a reasonable farm-gate price and supplies the latter with the necessary production inputs, physical infrastructure and technical and financial assistance.

While the practice of contract farming for cash crops and livestock/hog production shows an upward trend, not much work has been done to document and examine the arrangement in ensuring efficient use of this scarce resource; in enhancing production; in broadening the growers' access to vital infrastructure, inputs and support services; and in promoting land reform. Moreover, at present, the plantation sector has not adopted this organizational set-up possibly because of the high cost of contract negotiation and supervision. Research undertakings exploring alternative public actions that can encourage agribusiness enterprises to implement contract farming and/or introduce other institutional arrangements operating within the small-sized farm framework should be developed. Likewise, detailed studies which will enforce the bargaining leverage of small growers, should be done. Research efforts toward encouraging small contract growers to form cooperatives or associations which will not only negotiate effectively with the agribusiness partners but will also establish an internal monitoring and supervision scheme among the cooperative contract grower members, should be undertaken.

**Research Issues in Corporate Stock Distribution.** An alternative to the design of subdividing plantations into smaller landholdings is corporate stock distribution. Under

this scheme, corporate landowners are exempted from land reform if they distribute corporate stock shares equivalent to the value of the land.

While this institutional arrangement is clearly a mechanism for maintaining large landholdings, an in-depth analysis is required that will identify the factors which discourage these landowners to employ contract-farming or other land contracts that will promote small-scale farm holdings. It will also be interesting to find out why some corporate farms have opted for the land reform deferment scheme instead of corporate stock distribution. Finally, research should be conducted in farms which already practice corporate stock distribution. The objective of this type of research work is twofold: to determine whether or not this scheme is beneficial to the farmworkers, and to develop mechanisms that will assist farmworkers to effectively monitor their corporate shares.

**Leasehold Arrangements: Regulation versus Deregulation.** An important policy question is the operationalization of effective and efficient leasehold arrangements especially in coconut farms. Should the lease rates be regulated or should the government allow the markets to determine these rates? What are the costs entailed in both schemes and which one would benefit the landless workers? What are the implications of these schemes in coconut production and in farms which practice inter-cropping?

Research work should also be undertaken in determining the viability of leaseback arrangements in plantation farms. Under this scheme, plantations will first be subdivided into small farmholdings. The reform beneficiaries will then have the option of either leasing back the lands at market rates to the agribusiness enterprises or undertaking a contract-farming arrangement.

Another research area is the recommendation of progressive land rents in public lands which can be leased out by the government to private individuals or corporations. In this scheme, land rents increase at progressive rates as more lands are required. Will this scheme be politically and administratively feasible to implement? What are the major bottlenecks and can these problems be resolved through minimal government intervention? And will this scheme ensure efficient use of scarce land?

### *Land Tax*

There is an urgent need to conduct a more in-depth analysis on the political and administrative feasibility of implementing a land tax measure. While there is no doubt that a progressive land tax will complement land reforms and will generate funds for the government, its enforcement has been blocked at the legislative level. Are there existing laws (e.g., real estate tax) which can be revised to incorporate the essence of a land tax measure? If so, how can this be achieved? Are there institutional mechanisms which will and can effectively monitor and supervise the implementation of a land tax measure so as to minimize the rent-seeking activities of government employees and reduce tax evasion by landowners? And lastly, should a land tax be imposed on agrarian reformed lands?

### *Land Use Conversion*

It is ironic that this country wherein more than half of the population depend, directly or indirectly, on land as a primary source of income, does not have a national land use policy. Apart from RA 6657 which regulates farmland ownership, a combination of conflicting departmental (e.g., the creation of Regional Agro-Industries Centers) and local government (e.g., Section 15 of the proposed Local Government Code which allows local governments to reclassify 10 percent of agricultural lands into urban or industrial areas) directives have been issued and enforced resulting in competing/conflicting land uses. Land use decisionmaking at present does not reflect the extent of land scarcity nor does it take into account (a) the physiographic and agronomic features of this limited resource; (b) the environmental impact of the conversion on the ecosystem of the area; (c) the social losses accruing to the communities affected by the land use conversions; (d) the social losses that will be borne by future generations; and (e) the implications of these changes for ensuring sustainable structure transformation from an agricultural to an industrial economy.

In this regard, research devoted to defining an appropriate national land use policy for the country will be most useful. The components of the research should include: (a) a quantification of the extent of legal and illegal land use conversion; (b) an evaluation of government policies affecting land utilization and an assessment of their implications on efficiency and equity; (c) fiscal measures that will discourage unproductive land speculation activities and encourage intensive utilization of the land; and (d) administrative measures that will effectively and efficiently enforce the national land use policy.

### *Land Markets and Financing of CARL*

Because of RA 6657, the sale of agricultural lands is prohibited. This prevents potential reform beneficiaries from using their lands as collateral and discourages present landowners to subject their lands to land reform, for fear of obtaining lower compensation. In addition, since the land payments of the reform beneficiaries are usually much lower than the compensation provided by the state to the present landowners, this financial gap will only augment the government deficit and, in turn, will adversely affect the macroeconomic environment.

Under this scenario, a deregulated land market accompanied by policies which strictly enforce the landownership ceiling and a progressive land tax, may be a sensible approach to implementing land reform. Landowners are, therefore, free to sell their lands which are in excess of the retention limit to prospective buyers who in turn are legally bound not to purchase lands in excess of the stipulated landownership ceiling. Likewise, rural producers can have an easier access to credit since they can now use their lands as collateral. Under this scheme, the strain on the government's budget will be minimized.

The above proposal merits serious research undertaking especially (a) on its administrative and political viability; (b) on its implication on equity; (c) on its effect on the government budget; and (d) on its effect on facilitating land reform. Particular areas

that need more in-depth analysis are: firstly, what mechanisms should be established so that landless rural workers will have fair access to these lands? Secondly, what administrative systems should be instituted so that the landownership ceiling will be fully enforced and rent-seeking activities of the government will be minimized. Thirdly, what role can the NGOs play in assisting share tenants and landless rural workers to acquire a competitive edge in the purchase of these lands? And lastly, is a uniform landownership ceiling an appropriate policy measure? Should it apply to one household or to each member of the households? Further, as Lipton (1991) correctly points out, "a two-person household with ten reliably irrigated ha of triple-cropped paddy land requires different treatment from 10 ill-watered ha of land marginal between grazing and coarse grains."

#### *Role of NGOs*

There is a need to ascertain the role of NGOs in the implementation of land reform. For one, many NGOs are major conduits of large internationally-sourced funds. How are these funds utilized at present? And what are their implications in facilitating or retarding the implementation of land reform?

And second, NGO activities on agrarian reform are apparently stop-gap measures which compensate or substitute for the government's failure to efficiently and effectively distribute the lands and provide appropriate support services. Do their activities promote or impede the creation of agricultural markets? Do they ensure efficient allocation of scarce agricultural lands? And, do they enhance the bargaining leverage of landless agricultural workers and provide efficient mechanisms for the provision and delivery of support services?

#### *Factors Accounting for Poor Implementation*

Lipton (1991) identifies three factors for poor implementation of agrarian reform, namely: landlord power, red tapes and rent-seeking activities in the bureaucracy, and laws which provide non-conformity to the objectives of land reform. In-depth analyses on these three factors should be done. The focus of this type of research works should be on the development of alternative policies and administrative systems that will encourage a better implementation of agrarian reform.

One important area that needs a thorough examination is the streamlining of the Department of Agrarian Reform. Aside from reducing its workforce, there may be a need for the Department to concentrate its activities on the land acquisition and distribution function. Other departments with CARP-related functions should focus on the provision and delivery of support services.

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